



FORWARD FASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited

尚晉(國際)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2528



GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



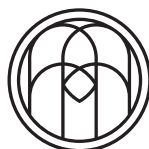
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中投证券(香港)
CHINA INVESTMENT SECURITIES (HK)

IMPORTANT

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



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Forward Fashion (International) Holdings Company Limited 尚晉(國際)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares offered under the Global Offering	: 100,000,000 Shares (subject to the Over-allotment Option)
Number of International Placing Shares	: 90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 10,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$2.1 per 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	: 2528

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



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, with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V 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 for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 6 January 2020 or such later date as may be agreed by the Joint Global Coordinators and our Company, but in any event not later than Tuesday, 7 January 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 7 January 2020, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will not be more than HK\$2.1 per Offer Share and is currently expected to be not less than HK\$1.7 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.1 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$2.1.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Share certificates for the Global Offering will only become valid certificates of title at 8:00 a.m. on Monday, 13 January 2020, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of the prospectus has not been exercised or lapsed.

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

EXPECTED TIMETABLE⁽¹⁾

*If there is any change in the following expected timetable of the Global Offering, we will issue an announcement to be posted on the website of our Company at **www.forward-fashion.com** and the website of the Stock Exchange at **www.hkexnews.hk**.*

Date and time⁽¹⁾
2020

Latest time to complete electronic applications under the HK eIPO White Form services through (1) the designated website at www.hkeipo.hk ⁽²⁾ or (2) the IPO App , which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp	11:30 a.m. on Friday, 3 January
Application lists open ⁽³⁾	11:45 a.m. on Friday, 3 January
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 3 January
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfers(s) or PPS payment transfer(s)	12:00 noon on Friday, 3 January
Application lists close ⁽³⁾	12:00 noon on Friday, 3 January
Expected Price Determination Date ⁽⁵⁾	Monday, 6 January
Announcement of the Offer Price, the indication of levels of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of our Company at www.forward-fashion.com ⁽⁶⁾ and on the website of the Stock Exchange at www.hkexnews.hk on or before	Friday, 10 January

EXPECTED TIMETABLE⁽¹⁾

Date and time⁽¹⁾
2020

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus including the website of our Company at **www.forward-fashion.com**⁽⁶⁾ and on the website of the Stock Exchange at **www.hkexnews.hk** from Friday, 10 January

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** or in the **IPO App** with a "search by ID Number/Business Registration Number" function from Friday, 10 January

Despatch/Collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful Applications pursuant to the Hong Kong Public Offering on or before^(5, 7, 9) Friday, 10 January

Despatch/Collection of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before^(5, 7, 8) Friday, 10 January

Dealings in Shares on the Main Board of the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 13 January

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "The Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at **www.forward-fashion.com** and the website of the Stock Exchange at **www.hkexnews.hk**.
- (2) You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 January 2020, the application lists will not open or close on that day. Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and Extreme Conditions on the Opening and the Closing

EXPECTED TIMETABLE⁽¹⁾

of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 3 January 2020, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.

- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 6 January 2020 (or such other date as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, but in any event not later than Tuesday, 7 January 2020). If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, 7 January 2020, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse immediately.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020 or any other date notified by us as the date of despatch of share certificates/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on YELLOW Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for the Hong Kong Offer Shares – 14. Despatch/Collection of share certificates and refund monies” in this prospectus.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to apply for Hong Kong Offer Shares” in this prospectus.
- (9) Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date (such date is currently expected to be on Monday, 13 January 2020) provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “The Structure of the Global Offering” in this prospectus. Details relating to how to apply for Hong Kong Offer Shares are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, any of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering. Information contained on our website, located at **www.forward-fashion.com**, does 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. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set forth 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

Founded in 2005, we principally engage in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Greater China. We adopt multi-brand and multi-store business model. As at the Latest Practicable Date, we operated 215 self-operated retail stores in Greater China, of which 182 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand’s target customers and 33 retail stores are multi-brand stores that offer a broad assortment of our selected fashion apparel and lifestyle merchandise from different international brands and our own brands. According to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. Meanwhile, we have a market share of approximately 0.02% in the extremely fragmented apparel retail market of Mainland China in 2018. Our mono-brand stores currently sell products of 30 international brands such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *EA7*, *Ed Hardy*, *Hogan*, *Moschino*, *Neil Barrett*, *Philipp Plein*, *Tommy Hilfiger* and *Under Armour* etc..

Our brand portfolio. As at 31 December 2016, 2017 and 2018 and 31 July 2019 and the Latest Practicable Date our brand portfolio had 58, 54, 60, 115 and 113 brands. Of our current 113 brands, 110 brands are international brands and three are our own brands, namely, *UM*, *UM•IXOX* and *IXOX*. Among the 110 international brands, 29 brands are currently carried by mono-brand stores with some selected items retailed in multi-brand stores; and the remaining 81 brands are offered in our multi-brand stores. Our right to distribute and retail the international brands are predominantly non-exclusive. As fashion apparel of international brands is sensitive to fast changing consumer preference, we continuously seek to expand our brand portfolio that appeal to the taste of our target customers. Once we have identified an international brand, we would generally enter into distribution agreements with the brand owner or obtain its authorisation or consent to retail its branded products. These distribution agreements generally specify the territory of our distributorship in Greater China, which differs in different distribution agreements. For our distributorship in Mainland China, it may cover a province or specific shopping mall(s). The distribution agreements may also specify the number of retail stores we have to open for the sale of a particular branded product in each year. For more details, please refer to the paragraphs headed “Business – Suppliers – Distribution agreements entered into with suppliers – Salient terms of the distribution agreements with our suppliers” in this prospectus.

As at the Latest Practicable Date, there are 44 distribution agreements and two authorisation letters in relation to our distribution right of 30 international brands, of which we currently operated mono-brand stores for 29 international brands and our mono-brand store for *Sergio Rossi* in Taiwan had been temporarily closed pending relocation to a new premises. The number of distribution agreements exceeds the number of brands offered in our mono-brand stores as some brand owners prefer entering into a separate distribution agreement with us for each retail store. Among these 44 distribution agreements, five agreements covering four brands are expiring in 2019, which included *CK CALVIN KLEIN*, *Ed Hardy X*, *BLACKBARRETT* and Brand C (an Italian brand of luxury apparel and accessories founded by a Swiss designer). For the distribution agreements related to *BLACKBARRETT*, our Group is entitled to renew upon expiration. The negotiation for renewal of the distribution agreement regarding Brand C has reached mature stage pending finalising the terms of the distribution agreement while the negotiation for the renewal of *CK CALVIN KLEIN* has reached final stage as we have reached consensus with the master licensor of the brand on the key terms of the distribution agreement such as the duration of our distributorship and our yearly sales target, pending signing of the formal agreement, which is expected to take place in or around January 2020. Notwithstanding that, our Group has already placed purchase orders for the *CK CALVIN KLEIN* products for the

SUMMARY

fall/winter season 2020. On the other hand, we decided not to seek for renewal of the distribution agreement for *Ed Hardy X* upon expiry.

Save for one distribution agreement we entered into with the brand owner of an international brand, which will expire in 2020, the international brands operated under multi-brand stores are not governed by any distribution agreements. Notwithstanding that, before we retail any branded products at our multi-brand stores, we would adopt a series of procedures including conducting presentation of our multi-brand stores to the brand owners or their master/authorised licensors, seeking their preference as to the particular multi-brand store(s) that they want us to retail their products, obtaining their written authorisation or verbal consent for our sale of their products, which will be followed up by emails to confirm their consent; and keeping them updated on the sales of their products in our multi-brand stores and the details of our multi-brand store(s) from time to time. These procedures are to ensure that we are entitled to sell the products at our multi-brand stores. Our Directors note that these brand owners are agreeable to and have not expressed any objection to such arrangement, nor have they imposed any restriction on us in showcasing their products together with products of other brands in our multi-brand stores during the Track Record Period. For further details, please refer to the paragraphs headed “Business – Our Sales Channels – I. Our retail stores – Multi-brand stores” in this prospectus.

Our in-house designers design the apparel of our own *UM*, *UM•IXOX* and *IXOX* branded products and the production of which is outsourced to external OEM manufacturers in the PRC. Apparel of our own brands was sold through our multi-brand stores, which generated revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 of approximately HK\$2.2 million, HK\$5.6 million, HK\$26.2 million and HK\$20.0 million, respectively, representing approximately 0.2%, 0.5%, 1.9% and 2.2% of our total revenue, respectively.

Our business model, merchandise and sales channel. We adopt a multi-brand and multi-store business model in the retail of mid-to-high end fashion apparel with the complement of footwear, cosmetic and skincare products and lifestyle products.

Though the revenue generated from our retail stores accounted for approximately 95.2%, 94.5%, 95.0% and 93.3% for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, we also generated a lesser portion of our revenue from (i) provision of store management services to the retail stores of *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* in Macau; (ii) provision of temporary consignment services for one of our major suppliers, which was ceased after the Track Record Period; and this consignment arrangement is not part of our regular sales channels; and (iii) wholesaling. Both our fees for provision of store management services and consignment sales are with reference to the sales of the managed stores and the sales of consignment products, respectively. For store management services, the brand owner is ultimately responsible for cost incurred including rental, interior décor of the retail stores and replenishment of the merchandise, while we are responsible for managing the retail stores and their daily operation. For consignment services, the relevant brand owner temporarily engaged us to sell their products in our retail stores on consignment basis without being responsible for our costs or operating expenses, and we will receive a consignment fee from the sale. The following diagram illustrates our business model:



For more details on our business model, please refer to paragraphs headed “Business – Our Business Model” in this prospectus. We set out below a breakdown of our revenue generated from different sales channels for the years and periods indicated.

SUMMARY

	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Retail										
Mono-brand stores	772,504	81.3	861,376	80.8	1,073,641	79.8	606,189	80.2	696,164	78.0
Multi-brand stores	131,671	13.9	146,375	13.7	204,437	15.2	114,018	15.1	136,037	15.3
Online Sales	185	–	572	–	538	–	314	–	67	–
	<u>904,360</u>	<u>95.2</u>	<u>1,008,323</u>	<u>94.5</u>	<u>1,278,616</u>	<u>95.0</u>	<u>720,521</u>	<u>95.3</u>	<u>832,268</u>	<u>93.3</u>
Store management (Note 1)	32,490	3.4	32,396	3.0	29,256	2.2	17,683	2.3	20,078	2.3
Consignment service (Note 2)	–	–	–	–	–	–	–	–	28,493	3.2
Wholesale	13,298	1.4	25,911	2.5	36,993	2.8	18,166	2.4	11,032	1.2
	<u>950,148</u>	<u>100.0</u>	<u>1,066,630</u>	<u>100.0</u>	<u>1,344,865</u>	<u>100.0</u>	<u>756,370</u>	<u>100.0</u>	<u>891,871</u>	<u>100.0</u>

Notes:

- 1 The revenue includes service fee and the commission paid to us for our store management services for the retail stores of *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* in Macau during the Track Record Period.
- 2 The revenue included the consignment fee generated from the sales of *CK CALVIN KLEIN* products in Mainland China pursuant to a consignment arrangement with the licensor thereof in 2019 on a temporary basis, which was ceased after the Track Record Period and as at the Latest Practicable Date.

Geographical location of our retail stores. The following table shows the number of our retail stores respectively located in Mainland China, Macau, Hong Kong and Taiwan as at 31 December 2016, 2017, 2018, 31 July 2019 and the Latest Practicable Date.

Region	As at 31 December			As at 31 July 2019	As at the Latest Practicable Date
	2016	2017	2018		
Mainland China	131	127	153	150	143
Macau	55	54	62	65	64
Hong Kong	2	3	6	7	6
Taiwan	–	–	–	3	2
	<u>188</u>	<u>184</u>	<u>221</u>	<u>225</u>	<u>215</u>

The following table sets forth the breakdown of our revenue by geographical area for the years and periods indicated:

Region	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Mainland China	415,631	43.7	450,843	42.3	506,504	37.7	287,693	38.0	339,137	38.0
Macau	522,882	55.0	581,492	54.5	774,257	57.5	437,357	57.8	504,239	56.6
Hong Kong & Taiwan (Note 1)	11,635	1.3	34,295	3.2	64,104	4.8	31,320	4.2	48,495	5.4
	<u>950,148</u>	<u>100.0</u>	<u>1,066,630</u>	<u>100.0</u>	<u>1,344,865</u>	<u>100.0</u>	<u>756,370</u>	<u>100.0</u>	<u>891,871</u>	<u>100.0</u>

Note 1: Hong Kong and Taiwan included the revenue generated from three retail stores opened in Taiwan in March 2019 in Taiwan which contributed approximately HK\$2.9 million for the seven months ended 31 July 2019.

The following table sets forth the breakdown of the revenue of our retail stores in Mainland China according to the tier level of the cities where we operate our retail stores.

SUMMARY

Level of cities	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000	For the seven months ended 31 July	
				2018 HK\$'000	2019 HK\$'000
Tier 1 <i>(Note 1)</i>	209,258	201,703	187,685	111,677	113,218
New Tier 1 <i>(Note 2)</i>	100,376	120,168	142,509	81,096	91,467
Tier 2 <i>(Note 3)</i>	83,955	93,628	118,287	66,473	78,336
Tier 3 <i>(Note 4)</i>	8,560	8,556	20,492	9,965	16,524
Total	<u>402,149</u>	<u>424,055</u>	<u>468,973</u>	<u>269,211</u>	<u>299,545</u>

Notes:

1. Tier 1 cities include Shenzhen, Guangzhou, Beijing and Shanghai.
2. New Tier 1 cities include Dongguan, Changsha, Wuhan, Chongqing, Chengdu, as well as Hangzhou and Qingdao where we no longer have retail stores as at the Latest Practicable Date.
3. Tier 2 cities include Zhuhai, Nanning, Foshan, Haikou, Huizhou, Zhongshan and Xiamen.
4. Tier 3 cities include Sanya, Shantou and Zhanjiang, as well as Liuzhou where we no longer have any retail stores as at the Latest Practicable Date.

The following table sets forth the breakdown of our gross profit and gross profit margin by geographical area for the years and periods indicated:

Region	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		2019	
	Gross Profit HK\$'000	Gross profit margin (%)	Gross Profit HK\$'000	Gross profit margin (%)	Gross Profit HK\$'000	Gross profit margin (%)	Gross Profit HK\$'000	Gross profit margin (%)	Gross Profit HK\$'000	Gross profit margin (%)
Mainland China	202,097	48.6	226,311	50.2	232,998	46.0	125,694	43.7	162,055	47.8
Macau	286,216	54.7	342,117	58.8	463,045	59.8	263,440	60.2	286,363	56.8
Hong Kong & Taiwan <i>(Note 1)</i>	<u>6,966</u>	<u>59.9</u>	<u>21,590</u>	<u>63.0</u>	<u>34,312</u>	<u>53.5</u>	<u>16,833</u>	<u>53.7</u>	<u>25,577</u>	<u>52.7</u>
Total/Overall	<u>495,279</u>	<u>52.1</u>	<u>590,018</u>	<u>55.3</u>	<u>730,355</u>	<u>54.3</u>	<u>405,967</u>	<u>53.7</u>	<u>473,995</u>	<u>53.1</u>

Note 1: It includes revenue generated from our retail stores in Hong Kong throughout the Track Record Period and the revenue generated from three retail stores opened in Taiwan in March 2019, which contributed approximately HK\$2.9 million for the seven months ended 31 July 2019.

Retail revenue by brands of mono-brand stores and multi-brand stores

The table below sets forth a breakdown of our revenue generated from retail sales by our major brands operated under mono-brand stores and our multi-brand stores, excluding online sales, wholesale and revenue generated from store management and consignment sales.

Revenue generated from brands operated under mono-brand stores	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		2019	
	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)
Brand B <i>(Note 1)</i>	19,993	2.2	18,841	1.9	19,302	1.5	12,199	1.7	6,413	0.8
BLACKBARRETT	27,321	3.0	27,866	2.8	15,598	1.2	10,534	1.4	6,593	0.8
CK CALVIN KLEIN	102,755	11.4	97,715	9.7	97,457	7.6	56,754	7.9	51,305	6.1
Calvin Klein Jeans	74,478	8.2	90,859	9.0	107,499	8.4	61,656	8.6	62,586	7.5

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	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		Seven months ended 31 July 2019	
Revenue generated from brands operated under mono-brand stores	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)
<i>Calvin Klein Underwear</i>	29,707	3.3	35,011	3.5	38,586	3.0	22,469	3.1	22,586	2.7
<i>Ed Hardy</i>	102,943	11.4	141,722	14.1	178,878	14.0	108,569	15.1	107,866	13.0
<i>Brand A (Note 2)</i>	75,368	8.3	57,850	5.7	40,742	3.2	26,159	3.6	12,311	1.5
<i>Hogan</i>	32,130	3.6	23,434	2.3	24,407	1.9	14,393	2.0	12,391	1.5
<i>Moschino</i>	70,306	7.8	86,297	8.5	92,252	7.2	52,898	7.3	52,242	6.3
<i>Neil Barrett</i>	60,435	6.7	102,942	10.2	119,322	9.4	67,498	9.4	68,888	8.3
<i>Philipp Plein</i>	–	–	–	–	12,217	1.0	1,174	0.2	17,297	2.1
<i>Tommy Hilfiger</i>	117,014	12.9	81,494	8.1	70,079	5.5	40,440	5.6	43,869	5.3
<i>Under Armour</i>	–	–	38,195	3.8	163,963	12.8	79,622	11.1	144,698	17.4
<i>Others (Note 3)</i>	60,054	6.6	59,150	5.8	105,556	8.3	51,824	7.2	87,119	10.4
Sub-total	772,504	85.4	861,376	85.4	1,073,641	84.0	606,189	84.2	696,164	83.7

	FY2016		FY2017		FY2018		Seven months ended 31 July 2018		Seven months ended 31 July 2019	
Revenue generated from multi-brand stores (Note 4)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)	Revenue HK\$'000	% of retail revenue (%)
<i>UM</i>	103,021	11.4	103,833	10.3	95,772	7.5	56,743	7.9	53,178	6.4
<i>UM Junior</i>	10,181	1.1	17,956	1.8	56,024	4.4	28,605	3.9	36,723	4.4
<i>Others (Note 5)</i>	18,469	2.1	24,586	2.5	52,641	4.1	28,670	4.0	46,136	5.5
Sub-total	131,671	14.6	146,375	14.6	204,437	16.0	114,018	15.8	136,037	16.3
Total	904,175	100.0	1,007,751	100.0	1,278,078	100.0	720,207	100.0	832,201	100.0

Notes:

1. Brand B is a designer label fashion brand founded by a designer in Spain offering high-end women's fashion.
2. Brand A is an international brand whose apparel is mainly high-quality casual clothing originated in the U.S. and are supplied by Supplier A, the holding company of which is listed on the Hong Kong Stock Exchange with a market capitalisation of over HK\$2 billion as at the Latest Practicable Date.
3. Others consisted of other brands with individual revenue per year not exceeding 2% of total revenue generated from retail stores.
4. The revenue generated from multi-brand stores was grouped under the store name of multi-brand stores.
5. Others consisted of multi-brand stores operated under the store names of *UM Collezzoni Accessories*, *UM Club*, *UM Collezzioni* and *WF Fashion*.

Performance indicators of our retail stores

Breakeven point and investment payback point of our retail stores

We opened 163 retail stores during the Track Record Period, of which 107, 47, six and three were opened in Mainland China, Macau, Hong Kong and Taiwan, respectively. Without taking into account the three stores in Taiwan which have been operated only since March 2019 and yet to reach breakeven or investment payback as at the Latest Practicable Date, we had 160 newly opened stores during the Track Record Period for assessing their respective range of breakeven period; and those newly opened retail stores whose revenue has been equal to its

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monthly expenses for at least two consecutive months within the typical range of breakeven period of their region will be regarded as having achieved breakeven point. The typical range of breakeven period for the retail stores in Mainland China, Macau and Hong Kong is a period of two to seven months, two to five months and two to nine months, respectively. Of these 160 newly opened stores, 100 retail stores had achieved breakeven within their respective typical range of breakeven period. As concerns the remaining 60 newly opened stores, 47 could not reach breakeven within the typical range of breakeven period and up to the Latest Practicable Date, six newly opened retail stores had subsequently achieved breakeven as at the Latest Practicable Date, and the remaining seven newly opened stores have not yet reached breakeven point as their operation period is still within the typical range of breakeven period as at the Latest Practicable Date.

On the other hand, in calculating the number of newly opened retail stores that have reached investment payback point within the typical range of investment payment period, i.e. the period of two to 18 months, two to 16 months and eight to 10 months for newly opened retail stores in Mainland China, Macau and Hong Kong, respectively, we have taken into account only 145 newly opened retail stores out of 163 retail stores opened during the Track Record Period, by excluding 15 retail stores for which we had not incurred any capital expenditure in their establishment and the three retail stores in Taiwan due to their relatively short period of operation, and of these 145 newly opened retail stores, 54 retail stores had achieved investment payback point within the typical range of investment payback period. As concerns the remaining 91 newly opened retail stores, 41 could not reach the Investment Payback Point within the Typical Range of Investment Payback Period and up to the Latest Practicable Date, five newly opened retail stores had subsequently achieved Investment Payback Point as at the Latest Practicable Date; and the remaining 45 newly opened retail stores have not yet reached Investment Payback Point as their operation period is still within the typical range of Investment Payback Period as at the Latest Practicable Date. For further details, please refer to the paragraph headed “Business – Our sales channels – I. Our retail stores – Breakeven period and investment payback period analysis” in this prospectus.

Same store sales performance of our retail stores

The same store sales growth rate measures the growth rate of the revenue generated by the same retail store, which has been in operation throughout the relevant years without material interruption, in the accounting year as compared to the revenue generated in the preceding accounting year, which can depict the effectiveness of the management of individual retail stores in generating revenue growth operated in the year under review, as compared with that of the preceding year. The following table sets forth the same store revenue and growth rate by geographical areas of the retail stores:

	Approximate same store growth rate			Approximate same store growth rate		
	FY2016 HK\$'000	FY2017 HK\$'000	rate %	FY2017 HK\$'000	FY2018 HK\$'000	rate %
Mainland China	250,433	274,042	9.4	305,295	322,982	5.8
Macau	394,967	418,830	6.0	446,180	449,186	0.7
Hong Kong	2,588	2,789	7.8	20,136	21,214	5.4
Total revenue/ overall rate	647,988	695,661	7.4	771,611	793,382	2.8

Average spending per transaction

Average spending per transaction has significant impact on our sales strategy and results of operation. Average spending per transaction represents our revenue generated from our retail stores (excluding the managed stores to which we provided store management services) divided by the number of transactions during the relevant period. The table below sets forth the average spending per transaction for the Track Record Period.

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	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Macau	3,781	3,989	3,412	3,318	2,604
Mainland China	1,342	1,438	1,472	1,481	1,499
Hong Kong and Taiwan*	2,529	1,434	1,101	1,192	1,009

* Our retail stores in Taiwan only commenced operation in the seven months ended 31 July 2019.

The following table sets forth the maturity profile of the tenancy agreements and concession contracts entered into between individual landlords and us:

Tenancy agreements for retail stores expiring in	FY2019	FY2020	FY2021	FY2022 and beyond
Mainland China	5 ^(Note)	41	27	70
Macau	—	16	19	29
Hong Kong	—	2	3	1
Taiwan	—	—	2	—
	5	59	51	100

Note: Of these five tenancy agreements which are expiring by the end of December 2019, as at the Latest Practicable Date, we had reached verbal agreement with the landlords on the renewal of two tenancy agreements pending signing of the formal agreements; and we had also engaged in negotiation with a landlord for the renewal of a tenancy agreement, which had progressed smoothly. Our Directors confirm that from their experience and past dealings with the relevant landlords, once we have reached a verbal agreement with the landlord regarding the renewal of a tenancy agreement and the terms thereof, such as the new rental, term of the tenancy etc., we can continue to use the retail store based on the new terms and conditions. As to the remaining two tenancy agreements, our Directors decided not to renew the agreements and surrender the premises to the landlord upon their expiry by the end of December 2019.

Monthly sales per sq. m.

The following table sets forth the monthly sales per sq.m. of our self-operated retail stores by geographic regions for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

	FY2016	FY2017	FY2018	Seven months ended 31 July 2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Macau	5,616	5,726	7,074	6,851
Mainland China	1,792	1,939	1,918	1,872
Hong Kong and Taiwan	22,812	8,780	5,361	4,196

The monthly sales per sq.m. for retail stores in Macau recorded a continuous growth from approximately HK\$5,616 for FY2016 to HK\$7,074 for FY2018, representing a CAGR of approximately 12.2%. The monthly sales per sq.m. for the seven months ended 31 July 2019 recorded a higher amount of approximately HK\$6,851 comparing with HK\$6,738 of the seven months ended 31 July 2018 because the corresponding growth rate of revenue of approximately

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15.4% during these two periods was higher than the corresponding growth rate of 13.5% of the average floor area managed by us during the same period.

The monthly sales per sq.m. for retail stores in Mainland China recorded an increase from approximately HK\$1,792 for FY2016 to HK\$1,939 for FY2017, representing an increase of approximately 8.2% which was mainly due to increase in average transaction price in FY2017. The monthly sales per sq.m. decreased slightly by 1.1% to HK\$1,918 for FY2018 as the average sales floor area we managed in FY2018 was approximately 13.4% more than that of FY2017. The monthly sales sq.m. decreased to approximately HK\$1,872 for the seven months ended 31 July 2019, which was mainly due to the growth rate of approximately 22.6% of the average floor area we managed having been higher than the growth rate of revenue of approximately 11.3% in the seven months ended 31 July 2019 comparing with the same period in 2018.

The monthly sales per sq.m. for our retail stores in Hong Kong and Taiwan recorded a decrease from approximately HK\$22,812 for FY2016 to HK\$8,780 for FY2017 as we operated only two brands in Hong Kong in FY2016 and we subsequently opened retail stores for a new fashion sports brand with lower average retail price in FY2017 and our average sales floor area for FY2017 had increased by approximately 326 sq.m., resulting in the monthly sales of our retail store in Hong Kong dropped drastically for FY2017. The monthly sales per sq.m. decreased further to approximately HK\$5,361 for FY2018 and further to approximately HK\$4,196 for the seven months ended 31 July 2019 mainly due to the increase of average sales floor area coupled with the decrease in average spending per transaction in Hong Kong and Taiwan for the seven months ended 31 July 2019.

OUR PRICING STRATEGY

For the international brands carried by our retail stores, we adhere to the retail prices set by our suppliers in our retail business. For our wholesale of *Neil Barrett* products, we generally sell the products to our sub-distributors at a discount rate that is lower than the discount rate we obtain from the brand owner and make profit on the difference. We require our sub-distributors to adopt the recommended retail price to retail *Neil Barrett* products to ensure a uniform price of the products across the whole Mainland China. For our proprietary brands *UM*, *UM•IXOX* and *IXOX*, we basically adopt a cost-plus pricing model but we will make reference to the prevailing price of similar apparel, the relative market positioning, material used, and standard of quality.

SEASONALITY

Our sales performance is subject to seasonal fluctuations and we normally generate higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel; and we record higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. To mitigate the effect of seasonality on our operational and financial performance, we normally launch promotions during the non-peak season to boost our sales. Furthermore, we closely monitor our inventories in light of coming peak seasons at an affordable level. As such, seasonality of the apparel retail market had not adversely affected our operational and financial performance during the Track Record Period.

OUR SUPPLIERS AND CUSTOMERS

The revenue generated by our apparel retail business accounted for over 93% of our total revenue during the Track Record Period. Our customers are primarily retail customers in Greater China. None of our customers accounted for 5% or more of our total revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, and we did not rely on any single customer during the Track Record Period.

Our suppliers mainly consist of brand owners or their master/authorised licensors. We have established business relationships with all our top five suppliers (all of whom are Independent Third Parties) for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 for a period ranging from three to 12 years. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the purchases from our top five suppliers accounted for approximately 70.3%, 71.2%, 64.0% and 62.5% of our total purchase, respectively, and purchase from our largest supplier accounted for approximately 29.3%, 24.4%, 19.3% and 19.4% of our total purchase for the same year/period, respectively.

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Our purchase and sales arising from our operation in Mainland China is generally settled in RMB, and thus currency mismatch, if any, is insignificant in Mainland China. For our operation in Macau and Hong Kong, most of our purchases made from suppliers are denominated and settled in Euro and U.S. dollars while the sales of our products are in MOP or Hong Kong dollars in Macau and Hong Kong, respectively. During the Track Record Period, approximately 30.4%, 25.5%, 39.1% and 29.3% of our total purchase were settled in Euro, respectively. Considering the stable exchange rate among MOP, Hong Kong dollars and U.S. dollars, our foreign currency exchange exposure is mainly arising from the fact that our purchase are made in Euro but the recommended retail price of the products we sold to end-customers are set by the brand owners at a fixed exchange rate in Euro for every three-month periods. As such, we have to absorb the exchange fluctuation in the cost of sales within the three-month period whenever there is difference between the then current exchange rate and the fixed exchange rate for the recommended retail price. Given we provide a safe margin of approximately one to two percent for the exchange fluctuation in Euro and the period exposed to fluctuation is relatively short, the foreign exchange risk exposure, though existed during the Track Record Period, was not material.

During the Track Record Period, two of our suppliers and/or their related companies were also our customers, namely, PVH Group and the Club 21 Group. We provide store management services for PVH Group's brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories* and *Tommy Hilfiger*. During the Track Record Period, the service fees and commission we received from PVH Group accounted for approximately 3.4%, 3.0%, 2.1% and 2.2%, respectively of our total revenue and our purchases from it accounted for approximately 29.3%, 24.4%, 19.3% and 15.4%, respectively of our total purchase. Club 21 Group engaged our Group to provide consignment services in the retail stores of *CK CALVIN KLEIN* branded products in Mainland China on a temporary basis in 2019 and we purchase *CK CALVIN KLEIN* branded products from it for sale in our retail stores in Macau. During the Track Record Period, the revenue generated from consignment fee accounted for approximately nil, nil, nil and 3.2% of our total revenue, respectively while our purchase from it accounted for approximately 13.1%, 10.4%, 6.1% and 5.3%, respectively, of our total purchase.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- Our multi-brand and multi-store business model can satisfy and match varying needs and requirements of our landlords and brand owners and provide value-added services to them.
- We have an established network of retail stores covering selected strategic geographic locations.
- We maintain leading position in the apparel retail market in Macau.
- Our brand portfolio has over 100 renowned international brands covering a wide selection of fashion apparel and lifestyle merchandise.
- We have an experienced senior management and stable and dedicated workforce.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the F&S Report, in 2018, Greater China ranked the first in the global apparel retail with a market share of 20.4%, in terms of retail sales value. The sales value of apparel retail market in Mainland China, Taiwan, Hong Kong and Macau raised from HKD2,169.2 billion, HKD95.8 billion, HKD78.5 billion and HKD11.3 billion, respectively in 2013 to HKD3,302.8 billion, HKD110.0 billion, HKD74.3 billion, HKD17.8 billion, respectively in 2018, representing the CAGR of 8.8%, 2.8%, -1.1% and 9.5%, respectively, from 2013 to 2018. By 2023, it is expected, driven by the recovery of tourism industry in Hong Kong and Macau, that the sales value of apparel retail market in Mainland China, Taiwan, Hong Kong and Macau will increase at the CAGR of 7.9%, 2.8%, 7.8% and 14.0%, respectively. The apparel retail market in Macau is fragmented and diversified. The top five apparel distributors in terms of retail sales values only occupied 11.5 % of the total market. Our Group ranked as the largest apparel distributors in Macau with HKD774.3 million in 2018 and 4.3% market share. Meanwhile, we have a market share of approximately 0.02% in the extremely fragmented apparel retail market of Mainland China in 2018.

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USE OF PROCEEDS AND OUR BUSINESS STRATEGIES

We estimate that we will receive net proceeds of approximately HK\$130.9 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.9 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Business strategies and intended applications	Approximate amount of net proceeds utilised
Continue to expand the geographic coverage of our retail stores in Greater China by opening 51 retail stores, 41 of which are mono-brand stores and 10 are multi-brand stores	HK\$65.8 million, or 50.3%
Upgrade our existing retail stores by carrying out renovation works in our retail stores in Mainland China and Macau	HK\$12.1 million, or 9.2%
Explore new brands and further develop our recently operated brands	HK\$31.4 million, or 24.0%
Continue to set up and implement the centralised retail management system	HK\$14.1 million, or 10.8%
Strengthen our online sales with a view to complementing our offline sales channels	HK\$7.5 million, or 5.7%

DIVIDENDS

We currently do not have any predetermined dividend payout ratio. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, we declared and paid dividends of HK\$38.0 million, HK\$30.0 million, HK\$11.3 million, HK\$9.5 million and HK\$1.0 million, respectively, to our Shareholders. However, any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

Notwithstanding that we had insufficient retained earnings as at 31 December 2016, our two subsidiaries in Macau, namely Macau Ieng Nam and Ieng Weng, distributed dividends in FY2016 before the Reorganisation. Our Directors confirm that Macau Ieng Nam and Ieng Weng were profit-making and had positive retained earnings as at 31 December 2016 and therefore, such dividends were declared and distributed out of the retained earnings of the respective subsidiaries. Our Directors are of the view, after seeking advice from the legal advisors in Macau, that such distributions were in compliance with the relevant law in Macau.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$59.1 million, of which, approximately HK\$26.2 million is directly attributable to the issue of the Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering. The remaining estimated Listing expenses of approximately HK\$32.9 million, was or will be charged to profit or loss, of which approximately HK\$18.7 million had been recorded in the consolidated income statement and consolidated statement of comprehensive income during the Track Record Period, and approximately HK\$14.2 million is expected to be charged to profit or loss for the five months ending 31 December 2019.

KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of our consolidated financial information as of and for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, extracted from the Accountants' Report set out in Appendix I to this prospectus. The below summary should be read in conjunction with the consolidated financial information in Appendix I, including the notes and the information set forth in the section headed "Financial Information" in this prospectus.

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Summary of consolidated statements of profit or loss

	FY2016	FY2017	FY2018	Seven months ended 31 July	
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000 (Unaudited)	2019 HK\$'000
Revenue	950,148	1,066,630	1,344,865	756,370	891,871
Cost of sales	(454,869)	(476,612)	(614,510)	(350,403)	(417,876)
Gross profit	495,279	590,018	730,355	405,967	473,995
Selling and marketing expenses	(403,152)	(426,371)	(509,385)	(286,314)	(348,774)
General and administrative expenses	(53,253)	(69,701)	(74,614)	(46,556)	(69,674)
Other income	211	8,977	8,225	3,200	508
Other (losses)/gains, net	(6,341)	(4,160)	(3,165)	(3,184)	3,855
Operating profit	32,744	98,763	151,416	73,113	59,910
Finance costs, net	(25,785)	(22,644)	(24,842)	(13,624)	(18,574)
Profit before income tax	6,959	76,119	126,574	59,489	41,336
Income tax expense	(1,177)	(15,959)	(17,997)	(7,784)	(11,316)
Profit for the year/period (note)	<u>5,782</u>	<u>60,160</u>	<u>108,577</u>	<u>51,705</u>	<u>30,020</u>
Attributable to:					
Equity holders of the Company	7,933	60,786	103,941	49,739	28,987
Non-controlling interests	(2,151)	(626)	4,636	1,966	1,033

Note: Our Group has adopted IFRS 16 in the preparation of financial information of our Group during the Track Record Period, pursuant to which operating lease of properties are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and interest expenses are charged. Set out below is the breakdown of profit or loss in relation to IFRS16 during the Track Record Period:

	FY2016	FY2017	FY2018	Seven months ended 31 July	
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000 (unaudited)	2019 HK\$'000
Depreciation of right-of-use assets	166,838	164,892	175,752	97,935	131,614
Interest expenses on lease liabilities	16,463	14,653	15,048	8,381	10,877
Impairment loss on right-of-use assets	2,674	2,499	1,246	691	1,891
(Gains)/losses on the derecognition of right-of-use assets and lease liabilities	70	(568)	(1,287)	–	(220)

Our revenue increased from approximately HK\$950.1 million for FY2016 to HK\$1,344.9 million for FY2018, representing a CAGR of approximately 19.0%. This was primarily due to the increase in number of brands for which we operated mono-brand stores from 20 brands for FY2016 to 28 brands for FY2018 and increase in sales floor area from approximately 26,294 sq.m. as at 31 December 2016 to 33,491 sq.m. as at 31 December 2018.

Our gross profit increased by 19.1% from approximately HK\$495.3 million for FY2016 to approximately HK\$590.0 million for FY2017, which was mainly due to the increase in revenue of approximately 12.3% and the fact that there was a provision of inventories of approximately HK\$7.8 million in FY2016 while there was a claw back of provision for inventories of approximately HK\$0.9 million in FY2017. Our net profit increased by approximately 940.5% from approximately HK\$5.8 million for FY2016 to approximately HK\$60.2 million for FY2017 and our net profit margin increased from 0.6% for FY2016 to approximately 5.6% for FY2017, primarily due to (i) an increment of approximately 3.2% of gross profit margin achieved through better inventory control, (ii) our focus on high value brands in Macau and (iii) our commencement of sale of *Under Armour* branded products in Mainland China and Hong Kong in FY2017.

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Our gross profit increased by 23.8% from approximately HK\$590.0 million for FY2017 to approximately HK\$730.4 million for FY2018, which was due to the increase in revenue generated from our sales in retail stores with more sales floor area and additional brands in our brand portfolio. Our net profit increased by approximately HK\$48.4 million from approximately HK\$60.2 million for FY2017 to approximately HK\$108.6 million for FY2018 and our net profit margin increased from approximately 5.6% for FY2017 to approximately 8.1% for FY2018, primarily due to our effective cost control on selling and marketing expenses and general and administrative expenses, which only accounted for approximately 43.4% of our revenue for FY2018 as compared to approximately 46.5% of our revenue for FY2017.

Our revenue increased by approximately HK\$135.5 million or 17.9%, from approximately HK\$756.4 million for the seven months ended 31 July 2018 to approximately HK\$891.9 million for the seven months ended 31 July 2019, which was primarily due to combined effect in the increase of average sales floor area and the increase in number of brands operated under mono-brand stores. Our gross profit increased by approximately HK\$68.0 million or 16.8%, which was mainly contributed by the increase in gross profit from Mainland China of approximately HK\$36.4 million, while our gross profit margin decreased by approximately 0.6%, mainly resulted from greater discount offered in Macau for promotion of sales. Furthermore, our net profit decreased by approximately 41.9% from approximately HK\$51.7 million to HK\$30.0 million and our net profit margin decreased from approximately 6.8% for the seven months ended 31 July 2018 to approximately 3.4% for the seven months ended 31 July 2019, which was primarily due to the decrease in gross profit margin of approximately 0.6% and the rate of increase in selling and marketing expenses of approximately 21.8% arising mainly from increase in rental expenses and staff cost having surpassed the growth rate of revenue and the listing expenses of approximately HK\$16.6 million incurred in the seven months ended 31 July 2019. Had the listing expenses been excluded, the profit for the period and net profit margin for the seven months ended 31 July 2019 would be approximately HK\$46.6 million and 5.2% respectively, representing a decrease of net profit of approximately HK\$5.3 million and a decrease in net profit margin of approximately 1.6% from approximately 6.8% for the seven months ended 31 July 2018 to 5.2% for the seven months ended 31 July 2019. Hence, the growth rate of our revenue could not catch up with the rate of increase of both selling and marketing expenses and general and administration expenses. The growth rate of our revenue for the seven months ended 31 July 2019 was lower than that of FY2018, which was mainly attributable to the declining average spending per visitor recorded in Macau during the corresponding period. Such decline in the average spending per visitor was, according to the F&S Report, resulted primarily from the rate of increase in the number of same-day visitors who normally spend less having outweighed the rate of increase in overnight visitors who normally spend more during their stay in Macau.

Summary of consolidated statements of financial position

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	512,385	503,932	556,105	680,209
Current assets	504,501	544,937	666,739	770,542
Current liabilities (Note)	511,594	549,620	617,941	763,598
Net current assets (liabilities)	(7,093)	(4,683)	48,798	6,944
Net assets	74,610	111,881	203,671	232,156

Note: Our Group has adopted IFRS 16 in the preparation of financial information of our Group during the Track Record Period, pursuant to which lease liability is recognised for operating lease of properties. Set out below is the lease liabilities included in current liabilities during the Track Record Period:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities (current)	139,001	151,742	157,783	184,431
Lease liabilities (non-current)	229,602	191,209	226,001	257,815
Right-of-use assets (non-current)	338,601	305,472	349,555	410,709

SUMMARY

For FY2016 and FY2017, our Group had net current liabilities mainly due to the application of IFRS 16 which crystallises one year's future rental payment into current lease liabilities while there is no increment in the current asset side as right-of-use asset is recognised as non-current asset. Had IFRS 16 not been applied, our Group would have net current asset in the amount of around HK\$132 million and HK\$147 million as well as current ratio of 1.4 and 1.4 as at 31 December 2016 and 2017, respectively.

We recorded accumulated losses as at 31 December 2016 of approximately HK\$18.1 million mainly resulting from a dividend of approximately HK\$38.0 million paid in FY2016 out of the retained profit of subsidiaries operated in Macau while the majority of our subsidiaries in Mainland China and Hong Kong incurred accumulated losses primarily attributable to inefficiency of our costs control during the development phase in cultivating the retail sales of brand products. Such accumulated losses were recovered as at 31 December 2017 since we had generated a profit after tax of approximately HK\$60.2 million with contribution from those subsidiaries with accumulated losses as at 31 December 2016 in Mainland China and Hong Kong amid a dividend of HK\$30.0 million paid in FY2017.

Impact of adoption of IFRS 16

We apply IFRS 16 consistently throughout the Track Record Period. By adopting IFRS 16, our profit after tax decreased by approximately HK\$5.9 million, HK\$3.6 million, HK\$1.2 million and HK\$122,000 comparing with the result of adopting previous IAS 17 for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, and our total equity decreased by approximately HK\$24.1 million, HK\$29.9 million, HK\$28.2 million and HK\$27.7 million comparing with the result of adopting previous IAS 17 for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. The adoption of IFRS 16 increases the current liabilities and may have the associated risk of resulting in net current liabilities should the current assets be not sufficient to cover the increase in current lease liabilities while there is no impact on our cash flow position.

Summary consolidated statements of cash flows

	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cashflows before changes in working capital	265,802	330,897	385,616	232,363
Net cash generated from operating activities	255,522	320,987	296,335	210,577
Net cash used in investing activities	(98,172)	(27,684)	(93,274)	(82,603)
Net cash used in financing activities (Note)	(168,128)	(253,108)	(203,752)	(104,095)
Net (decrease)/increase in cash and cash equivalents	(10,778)	40,195	(691)	23,879
Cash and cash equivalents at the beginning of the year/period	55,922	46,197	84,730	85,731
Exchange gains/(losses) on cash and cash equivalents	1,053	(1,662)	1,692	91
Cash and cash equivalents at the end of the year/period	46,197	84,730	85,731	109,701

Note: The net cash used in financing activities includes payments for lease liabilities amounting to approximately HK\$171.1 million, HK\$174.2 million, HK\$190.8 million, HK\$105.5 million and HK\$147.1 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, respectively, following the adoption of IFRS 16. Details of the reconciliation of the cash flow from financing activities are set out in "Financial Information – Critical Accounting Policies and Estimates – Adoption of IFRS 9, IFRS 15 and IFRS 16 – IFRS 16".

SUMMARY

Major costs structure

Our major costs structure during the Track Record Period primarily consists of cost of sales, selling and marketing expenses, general and administrative expenses and finance costs, breakdown of which is set out below:

	FY2016		FY2017		FY2018		Seven months ended 31 July 2019	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Cost of sales								
Cost of inventories sold	419,546	44.2	447,699	42.0	587,933	43.7	373,658	41.9
Provision for (reversal of) inventories impairment	7,753	0.8	(886)	(0.1)	(260)	–	1,446	0.2
Employee benefit expenses	8,122	0.9	8,474	0.8	10,894	0.8	14,726	1.7
Operating lease expenses	2,295	0.2	3,646	0.3	1,207	0.1	1,620	0.2
Depreciation of right-of-use assets	10,979	1.2	11,602	1.1	8,957	0.7	20,189	2.3
Amortisation of intangible assets	4,127	0.4	4,127	0.4	4,395	0.3	2,139	0.2
Other	2,047	0.2	1,950	0.2	1,384	0.1	4,098	0.4
	454,869	47.9	476,612	44.7	614,510	45.7	417,876	46.9
Selling and marketing expenses	403,152	42.4	426,371	40.0	509,385	37.9	348,774	39.1
General and administrative expenses	53,253	5.6	69,701	6.5	74,614	5.5	69,674	7.8
Finance costs (net)	25,785	2.7	22,644	2.1	24,842	1.8	18,574	2.1
Total	937,059	98.6	995,328	93.3	1,223,351	90.9	854,898	95.9

Gross and net profit margins

The following table sets forth a breakdown of our net profit margin and gross profit margin for the years and periods indicated.

	Seven months ended 31 July				
	FY2016	FY2017	FY2018	2018	2019
	%	%	%	%	%
Gross profit margin	52.1	55.3	54.3	53.7	53.1
Net profit margin	0.6	5.6	8.1	6.8	3.4

Our gross profit margin increased from approximately 52.1% FY2016 to approximately 55.3% for FY2017 mainly due to (i) decrease in provision for inventories of approximately HK\$8.7 million; and (ii) shift of our focus on higher value brands sold in Macau, mainly *Neil Barrett* and *Ed Hardy* with revenue generated from these two brands accounted for approximately 22.9% of total revenue of FY2017 comparing to 17.2% of total revenue for FY2016. Our gross profit margin decreased slightly from approximately 55.3% for FY2017 to approximately 54.3% FY2018, which was mainly attributable to the decrease in gross profit margin of sales in Mainland China from approximately 50.2% for FY2017 to 46.0% for FY2018 mainly due to more discounts being offered. Our gross profit margin decreased from approximately 53.7% for the seven months ended 31 July 2018 to approximately 53.1% for the seven months ended 31 July 2019, which was mainly attributable to the decrease in gross profit margin of sales in Macau resulting from more discount offered.

Our net profit margin increased from approximately 0.6% for FY2016 to approximately 5.6% for FY2017, primarily due to (i) increase in gross profit margin achieved through better inventory control, focusing on high value brands in Macau and our commencement of the sale of certain brands such as *Under Armour* in Mainland China and Hong Kong in FY2017; and (ii) our effective cost control on both selling and distribution expenses and general and administrative expenses. Our net profit margin increased from 5.6% for FY2017 to approximately 8.1% for FY2018, primarily due to our effective cost control on the selling and marketing expenses and

SUMMARY

general and administrative expenses. Our net profit margin decreased from 6.8% for the seven months ended 31 July 2018 to approximately 3.4% for the seven months ended 31 July 2019, primarily due to the rate of increase of both selling and marketing expenses and general and administrative expenses having surpassed the growth rate of revenue and the listing expenses of approximately HK\$16.6 million having incurred in the seven months ended 31 July 2019. Had the listing expenses been excluded, the net profit margin for the seven months ended 31 July 2019 would be approximately 5.2%, representing a decrease in net profit margin of approximately 1.6% from 6.8% for the seven months ended 31 July 2018. Such decrease in net profit margin for the seven months ended 31 July 2019 was mainly attributable to (i) the decrease in gross profit margin of approximately 0.6% resulting from more discount being offered to customers to promote our sales; and (ii) the increase of approximately 23.7% as compared to that for the seven months ended 31 July 2018 in both expenses relating to the rental of retail stores (expressed as depreciation of right-of-use assets and lease expenses) and employee benefits which were included in our selling and marketing expenses. The increase in the number of retail stores and the increase in the corresponding manpower, which had all along been part of our plan for expanding our sales scale, from 192 average retail stores operated during the seven months ended 31 July 2018 to 223 average retail stores operated during the seven months ended 31 July 2019, representing the growth rate of average floor area we managed of approximately 21.2%, was higher than the growth rate of our revenue of approximately 17.9% for the same period, causing the decrease in net profit margin for the seven months ended 31 July 2019. Though these newly opened retail stores, which are in their inception stage of operation, had impacted negatively on our overall operational efficiency for the corresponding period, our Directors believe that they would bring long term growth in our revenue; and our net profit can be enhanced by improvement in cost control benefit from the expanded scale of sales network.

KEY FINANCIAL RATIOS

	For the year ended/as of 31 December			For the seven months ended/as of 31 July 2019
	2016	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Return on equity	7.8%	53.8%	53.3%	N/A ^(Note)
Return on total assets	0.6%	5.7%	8.9%	N/A ^(Note)
Current ratio	1.0	1.0	1.1	1.0
Quick ratio	0.5	0.5	0.5	0.5
Gearing ratio	90.1%	83.9%	75.4%	75.5%
Debt to equity ratio	90.7%	85.6%	77.7%	78.0%
Interest coverage (times)	1.3	4.4	6.1	3.2

Note: Such ratio is not applicable as it is not comparable to annual numbers.

OUR SHAREHOLDING STRUCTURE

Controlling Shareholders

Immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that may be granted under the Share Option Scheme), Gold Star will be beneficially interested in 75% of the issued Shares. Gold Star is wholly-owned by Mr. Fan. Accordingly, Gold Star and Mr. Fan are our Controlling Shareholders under the Listing Rules.

Gold Star is an investment holding company incorporated in the BVI. Mr. Fan founded our Group in 2005, and he is also the chairman of our Board and our executive Director.

SUMMARY

STATISTICS OF THE GLOBAL OFFERING

	Based on Offer Price of HK\$1.7 per Share	Based on Offer Price of HK\$2.1 per Share
Market capitalization of the Shares ^(Note 1)	HK\$680 million	HK\$840 million
Unaudited pro forma adjusted net tangible asset value per Share ^(Note 2)	HK\$0.897	HK\$0.988

Notes:

1. The calculation of our market capitalisation is based on 400,000,000 Shares which will be in issue immediately following completion of the Global Offering, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
2. Please see “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

REASONS FOR THE LISTING

Apart from facilitating the implementation of our business strategies and future plan, our Directors are of the view that the Listing can bring these benefits to the Group: (i) satisfy our genuine funding need in (a) providing cash flow for business expansion and (b) maintain sufficient working capital level for our operation; (ii) lower our cost of capital as debt financing does not currently provide enough funding at reasonable costs; (iii) strengthening our Group’s brand awareness, credibility and competitiveness; (iv) enhance our public profile; and (v) create liquidity for our Shares and broaden our Shareholder base.

LITIGATION AND NON-COMPLIANCE

We are currently subject to legal proceedings involving disputes with the lessor in regard to a shopping mall in Mainland China. The legal proceedings began on 27 April 2017 in the Foshan City Nanhai District People’s Court. The plaintiff is a lessor of a shopping mall and alleged that our Group had violated certain agreed terms regarding the timing of when our Group will open its retail stores. For details, please refer to the paragraph headed “Business – Litigation” of this prospectus. In addition, during the Track Record Period and up to the Latest Practicable Date, we have certain non-compliance incidents in relation to certain PRC laws and regulations. For details, please refer to the paragraph headed “Business – Non-compliances” of this prospectus.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares.

We believe the major risks that may have a material adverse effect on us include: (i) failure to maintain good business relationship with international brand owners of our fashion apparel and lifestyle products may adversely affect our profitability; (ii) we face competition from brand owners and their distributors; (iii) our business depends on the brand recognition, popularity of our merchandise and consumer preferences, which are outside our control; (iv) we recorded net current liabilities as of 31 December 2016 and 2017 and any net current liabilities in the future could expose us to liquidity risk; and (v) failure to maintain inventory at right level could increase our risk of inventory obsolescence, lead to channel stuffing, cause us to lose sales or decrease our profit margins. You should carefully consider the risk factors set out in this prospectus in its entirety before making a decision to invest in the Shares. Please refer to the section headed “Risk Factors” in this prospectus for further details.

SUMMARY

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to 31 July 2019 and up to the Latest Practicable Date, we started operating one mono-brand store for *Balmain* in Macau, while we ceased to operate mono-brand stores for two existing brands, namely *Maison Margiela* with one retail store in Macau and *MM6* with two retail stores in Mainland China and one retail store in Macau, and our retail store for the brand *Sergio Rossi* in Taiwan was temporarily closed pending relocation to a new premises, bringing the number of our international brands for which we operated mono-brand stores to 29 as at the Latest Practicable Date. We ceased to operate mono-brand stores for the former two brands as our Directors take the view that these two brands, being French luxury fashion brands belonged to the same brand owner, offer artisanal apparel and the style of which would better fit the appearance of European customers than Asian customers. We are entitled to sell off the products within six months from the termination of our agreement with the brand owner. We have reached verbal agreement with the brand owner that our distribution agreement shall cease to have effect upon the cessation of the mono-brand stores for these brands. We also plan to offer their apparel in our multi-brand stores whereby we would purchase the apparel products of these two brands on a transaction-by-transaction basis. The combined revenue generated from mono-brand stores of these brands contributed less than 0.5% of our total revenue during the seven months ended 31 July 2019 and the financial impact on our Group is expected to be insignificant. For more details, please refer to the paragraph headed “Business – Our Brand Portfolio”.

Subsequent to 31 July 2019 and up to the Latest Practicable Date, we had opened 17 new retail stores while closing 27 retail stores. We opened and closed retail stores at a fast pace, which is a normal process of our business as we have adopted a flexible and practicable approach and would adjust our brand mix constantly in response to the fast-changing market trend and customers’ varying demands on fashion from time to time. Moreover, there was a one-off relocation of stores for selling off-season products from Winman Department Store to Emperor Nam Van Centre in Macau as the latter would serve as a centralised outlet for our Group’s off-season apparel (the “**Relocation**”). The Relocation was due to the expiry of tenancy agreement with the landlord of Winman Department Store. We opened seven retail stores in Emperor Nam Van Centre between August and September 2019 and closed seven retail stores in Winman Department Store in October 2019, which had largely exaggerated our pace of opening and closing retail stores after the Track Record Period and up to the Latest Practicable Date. During this period, we had opened in average 3.6 new retail stores per month, including 1.3 new retail stores in Mainland China and 2.3 new retail stores in Macau (including the stores opened due to the Relocation), and closed 5.8 retail stores per month, including 2.8 retail stores in Mainland China, 2.6 retail stores in Macau (including the retail stores closed due to the Relocation), 0.2 retail stores in Hong Kong and 0.2 retail stores in Taiwan. For more details, please refer to the paragraphs headed “Business – Our Sales Channels – I. Our retail stores – The pace of opening and closing retail stores” in this prospectus.

As at the Latest Practicable Date, we also provided store management services to the brand owner of *Under Armour* for a pop-up stall in Hong Kong on a short term basis.

Meanwhile, our provision of consignment services for the sale of *CK CALVIN KLEIN* products in Mainland China was our temporary arrangement with the master licensor thereof in 2019 in order to facilitate its smooth taking over of the retail stores of the brand in Mainland China from its previous distributor. This arrangement was ceased after the Track Record Period as all relevant retail stores of the brand for consignment services in Mainland China had been returned to the said master licensor as at the Latest Practicable Date. Our Group has no plan to re-launch or develop consignment service in the future.

In the face of the difficult external environment contributed by further escalation of the U.S.-China trade tensions, and the continuing social unrest in Hong Kong since June 2019, our Directors expect that the retail business, particularly that in Hong Kong, would be hit. However, our Directors are of the view that there is still sufficient market demand to support our Group’s business strategies going forward due to the following reasons:

1. Our retail business focuses on the markets in Mainland China and Macau instead of Hong Kong;
2. Most of our new retail stores to be opened with the proceeds of the Global Offering are strategically located in Greater Bay Area with cities that are to cluster to create sizeable areas of economic strength or in first tier cities in Mainland China; and

SUMMARY

3. Our fashion apparel are mainly imported from Europe or other countries outside the U.S..

For further details on the impact of the U.S.-China trade tensions and continuing social unrest since June 2019's impact on our Group, please refer to paragraphs headed "Business – Business Strategies – I. Continue to expand the geographic coverage of our retail stores in Greater China – Potential impact of the U.S. – China trade tensions and recent social political situation in Hong Kong on our expansion plan" in this prospectus.

Owing to the greater discount offered to our customers on our merchandise in general and the increase in our selling and marketing expenses for promoting sales, the declining average spending of visitors to Macau during the seven months ended 31 July 2019 coupled with the escalation of U.S.-China trade tension which may weaken consumer sentiment in general, it is expected that our Group's profit for the year ending 31 December 2019 will decline as compared to FY2018 after excluding listing expenses. Although the expansion of our retail stores in a relatively fast pace had impacted negatively on our overall operational efficiency and caused a drop of our expected net profit margin for the year ending 31 December 2019 comparing with that of FY2018 when these newly opened retail stores were still in their inception stage, our Directors believe that it provides a solid base for us to boost our revenue growth. Our Directors believe that these newly opened retail stores would bring long term growth in our revenue and net profit once these retail stores with their corresponding brands have penetrated in Greater China markets. Furthermore, our Directors believe that the decrease in our net profit margin for the seven months ended 31 July 2019 would not be long term by nature and would not affect the sustainability of our business taking into account the competitive strengths of our multi-brand and multi-store business model in the apparel retail industry in Greater China and our flexible and practicable approach in opening our retail stores whereby we closely monitor the performance of each retail store and take timely action to maintain the overall performance of our retail network, our profitability can also be enhanced by improvement in cost control benefit from the expanded scale of sales network in the coming years.

Despite the decrease in average spending per visitor recorded in Macau for the seven months ended 31 July 2019, which, according to the F&S Report, is expected to be stable in the future with the improvement of retailing, accommodation, food and beverage industries, and relatively stable structure of visitors in Macau, our Directors take the view that this trend would not cause any material adverse impact on our Group taking into account (i) the continuing expansion of our retail store network in Macau along with our expansion in brand portfolio and product mix. For instance, we had opened retail stores selling renowned brands of affordable price like *LI-NING* and *Under Armour* in addition to our established designer label brands to attract a wider variety of visitors with different spending power to Macau; and (ii) the central government of the PRC's support in Macau's tourism industry to develop Macau to be a world-class tourism and leisure hub, as well as to form tourism cooperation alliance in Macau to further explore and share tourism resources in the whole Greater Bay Area.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position, contingent liabilities, guarantees or prospects of our Group since 31 July 2019, being the date to which our latest audited consolidated financial statements was prepared, and up to the date of this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of technical terms”.

“Accountant’s Report”	the accountant’s report of our Group prepared by the Reporting Accountant set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any one of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 17 December 2019 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	our board of Directors
“Business Day(s)” or “business day(s)”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time

DEFINITIONS

“Capitalisation Issue”	the allotment and issue of 299,999,400 new Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company and its subsidiaries – 5. Resolutions in writing of our sole Shareholder passed on 17 December 2019” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China”, “Mainland China” or “PRC”	the People’s Republic of China, which excludes, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman 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), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Forward Fashion (International) Holdings Company Limited (尚晉(國際)控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 May 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, means Mr. Fan and Gold Star, or any one of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 17 December 2019 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), the particulars of which are set out in the paragraph headed “Statutory and General Information – E. Other Information – 2. Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company or any one of them
“EBITDA”	full year earnings before interest, taxes, depreciation and amortisation
“EV”	enterprise value
“Extreme Conditions”	any extreme conditions or events, the occurrence of which causes interruption to ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“Fortune Fashion”	Fortune Fashion Limited, a company incorporated in the BVI with limited liability on 20 May 2019 and a direct wholly-owned subsidiary of our Company
“Frontline Fashion”	Frontline Fashion Limited, a company incorporated in the BVI with limited liability on 20 May 2019 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Frost & Sullivan” or “F&S”	Frost & Sullivan International Limited, an independent market research firm
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ending 31 December 2019
“FY2020”	the financial year ending 31 December 2020
“FY2021”	the financial year ending 31 December 2021
“FY2022”	the financial year ending 31 December 2022
“F&S Report”	an independent market research report commission by us and prepared by Frost & Sullivan for the purpose of the Listing
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gold Star”	Gold Star Fashion Limited, a company incorporated in the BVI with limited liability on 15 May 2019 and one of our Controlling Shareholders, which is wholly owned by Mr. Fan
“Government” or “Hong Kong Government”	the government of Hong Kong
“Greater China Region” or “Greater China”	the region comprising of Mainland China, Hong Kong, Macau and Taiwan
“Green Application Forms”	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents” or “\$”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be registered in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk or through the IPO App
“ HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company as specified on the designated website at www.hkeipo.hk or in the IPO App
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Offer Shares”	the 10,000,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed “The Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 27 December 2019 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“IAS”	the International Accounting Standards issued by International Accounting Standard Board
“Ieng Leong”	Ieng Leong Company Limited (盈亮有限公司), a company incorporated in Macau with limited liability on 30 April 2010 and an indirect wholly-owned subsidiary of our Company
“Ieng Weng”	Ieng Weng Company Limited (盈榮有限公司), a company incorporated in Macau with limited liability on 30 April 2010 and an indirect wholly-owned subsidiary of our Company
“IFRS(s)”	International Financial Reporting Standards issued by International Accounting Standards Board
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters at the Offer Price to selected professional, institutional and private investors in Hong Kong and outside the United States in reliance on Regulation S, as further described in “The Structure of the Global Offering”
“International Placing Shares”	the 90,000,000 Shares being initially offered in the International Placing together with, where relevant, any additional Shares which may be sold by Gold Star pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “The Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing, which is expected to be entered into by, among others, the Sole Sponsor, the Joint Global Coordinators, the International Underwriters and our Company on or about 6 January 2020, as further described in the section headed “Underwriting – International Placing” in this prospectus
“IPO App”	the mobile application for HK eIPO White Form services which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	Alliance Capital Partners Limited, China Industrial Securities International Capital Limited, China Investment Securities International Brokerage Limited, China Sky Securities Limited, GLAM Capital Limited, Luk Fook Securities (HK) Limited, RaffAello Securities (HK) Limited and SPDB International Capital Limited
“Joint Global Coordinators”	China Industrial Securities International Capital Limited and SPDB International Capital Limited
“Joint Lead Managers”	Alliance Capital Partners Limited, Aristo Securities Limited, China Industrial Securities International Capital Limited, China Investment Securities International Brokerage Limited, China Sky Securities Limited, GLAM Capital Limited, Luk Fook Securities (HK) Limited, RaffAello Securities (HK) Limited, SPDB International Capital Limited and SynerWealth Financial Limited
“Lan Yuan”	Lan Yuan Company Limited (蘭媛有限公司), a company incorporated in Macau with limited liability on 20 May 2010 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	21 December 2019, being the latest practicable date for the purpose of ascertaining certain information of this prospectus to its printing

DEFINITIONS

“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, 13 January 2020, on which dealings in the Shares on the Main Board first commence
“Listing Division”	the listing division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Macao”, “Macau” or “Macau SAR”	the Macao Special Administrative Region of the PRC
“Macau Ieng Kun”	Macau Ieng Kun Company Limited (澳門盈冠有限公司), a company incorporated in Macau with limited liability on 6 February 2015 and an indirect non-wholly owned subsidiary of our Company. It is owned as to 96% by NB China and as to 4% by World First International
“Macau Ieng Nam”	Macau Ieng Nam Limited (澳門盈南有限公司), a company incorporated in Macau with limited liability on 28 March 2007 and an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 17 December 2019, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time

DEFINITIONS

“MOP” or “MOP\$” or “The Macau Pataca”	The Macau Pataca, the lawful currency of Macau
“Mr. Fan”	Mr. Fan Wing Ting (范榮庭), the chairman of our Board, our executive Director and a Controlling Shareholder
“Ms. Chen”	Ms. Chen Xingyi (陳幸儀), our executive Director and the chief executive officer of our Group
“NB China”	NB China Limited (盈冠商貿有限公司) (formerly known as Win First Trading Co., Limited and Neil Barrett China Limited), a company incorporated in Hong Kong with limited liability on 2 December 2014 and an indirect non-wholly owned subsidiary of our Company. It is owned as to approximately 60% by World First International and approximately 40% by Twelve S.A.
“Nomination Committee”	the Nomination Committee of our Board
“NT\$”, “NTD”, “TWD” or “New Taiwan dollar(s)”	New Taiwan dollar(s), the lawful currency of Taiwan
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$2.1 per Offer Share and not less than HK\$1.7 per Offer Share at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as described under the paragraph headed “The Structure of the Global Offering – Pricing and Allocation – Determining the Offer Price” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Placing Share(s) together with, where relevant, any additional Shares which may be sold by Gold Star pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by Gold Star to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which Controlling Shareholders may be required to sell up to an aggregate of 15,000,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Placing, if any, further details of which are described in the section headed “The Structure of the Global Offering” in this prospectus
“PRC government”	central government of the PRC, including all governmental subdivisions (including provincial municipal and other regional or local government entities)
“PRC Legal Advisors”	Zhong Lun Law Firm (中倫律師事務所), the legal advisors to our Company as to PRC law
“Price Determination Agreement”	the agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Monday, 6 January 2020 or such other date as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, but in any event not later than Tuesday, 7 January 2020, on which the Offer Price is to be fixed
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the restructuring of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus

DEFINITIONS

“Reporting Accountant”	PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“Sao Hang”	Sao Hang Limited (首恆商貿有限公司), a company incorporated in Hong Kong with limited liability on 11 June 2018 and an indirect wholly-owned subsidiary of our Company
“Sao Wai”	Sao Wai Limited (首威商貿有限公司), a company incorporated in Hong Kong with limited liability on 11 June 2018 and an indirect wholly-owned subsidiary of our Company
“Sao Wai Investment”	Sao Wai Investment Company Limited (首威投資有限公司), a company incorporated in Macau with limited liability on 26 November 2009 and an indirect wholly-owned subsidiary of our Company
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Lanyuan”	Lanyuan Trading (Shanghai) Co., Ltd* (蘭媛商貿(上海)有限公司), a limited liability company established under the laws of the PRC on 14 November 2014 and an indirect wholly-owned subsidiary of our Company
“Shanghai Yingzhao”	Yingzhao Trading (Shanghai) Co., Ltd* (盈昭商貿(上海)有限公司), a limited liability company established under the laws of the PRC on 10 February 2015 and an indirect non-wholly owned subsidiary of our Company
“Share(s)”	ordinary share(s) of nominal or par value HK\$0.01 each in the share capital of our Company

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 December 2019, the principal terms of which are summarised under the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares from time to time
“Shenzhen Shouwei”	Shouwei Trading (SZ) Co., Ltd* (首威貿易(深圳)有限公司), a limited liability company established under the laws of the PRC on 12 January 2011 and an indirect wholly-owned subsidiary of our Company
“Shenzhen Yingliang”	Yingliang Trading (SZ) Co., Ltd* (盈亮貿易(深圳)有限公司), a limited liability company established under the laws of the PRC on 30 June 2011 and an indirect wholly-owned subsidiary of our Company
“Sole Sponsor”	China Industrial Securities International Capital Limited
“sq.m.”	square metre(s)
“Stabilising Manager”	SPDB International Capital Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Gold Star on or about the Price Determination Date as further described in “The Structure of the Global Offering – Stock Borrowing Agreement”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	Comprises FY2016, FY2017, FY2018 and the seven months ended 31 July 2019
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)” or “US\$” or “USD”	United States dollar(s), the lawful currency for the time being of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for Hong Kong Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Wide Spread”	Wide Spread (China) Limited (康弘(中國)有限公司), a company incorporated in Hong Kong with limited liability on 15 March 2005 and an indirect wholly-owned subsidiary of our Company
“World First Holdings”	World First Holdings Limited (科盈集團有限公司), a company incorporated in Hong Kong with limited liability on 4 January 2010 and an indirect wholly-owned subsidiary of our Company
“World First International”	World First International Holdings Limited, a company incorporated in the BVI with limited liability on 28 October 2014 and an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“Yingnan Asia”	Yingnan Asia Limited (盈南中華有限公司), a company incorporated in Hong Kong with limited liability on 30 June 2014 and an indirect wholly-owned subsidiary of our Company
“Zhuhai Yinghua”	Zhuhai Hengqin Yinghua Trading Co., Ltd* (珠海橫琴盈華商貿有限公司), a limited liability company established under the laws of the PRC on 21 June 2016 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

DEFINITIONS

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

If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

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

“apparel retail market”	refers to clothing and apparel product selling market which can be classified into men’s wear, women’s wear, children’s wear and others based on the type of clothes
“breakeven”	in respect of our Group, refers to the point at which the total revenue of our Group for the financial year/period is at least equal to all costs for such financial year/period
“Breakeven Period”	in respect of each retail store, refers to the period from the date on which such retail store opens for business to the date on which such retail store achieves Breakeven Point for at least two consecutive months
“Breakeven Point”	in respect of each retail store, refers to the point at which the monthly revenue of the retail store is at least equal to its costs, which mainly include renovation and equipment costs, depreciation, rental expenses, cost of inventories sold, employee expenses and utility expenses attributable to that retail store for that month
“brick and mortar operation”	a physical presence of an organisation or business in a building, for instance, by possessing or leasing retail stores for operation
“GDP”	gross domestic product
“Greater Bay Area”	the Guangdong-Hong Kong-Macao Greater Bay Area, consists of Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, Zhaoqing, Hong Kong and Macau
“Investment Payback Period”	in respect of each retail store, refers to the period from the date on which such retail store opens for business to the date on which such retail store achieves Investment Payback Point
“Investment Payback Point”	in respect of a retail store, refers to the point at which the initial investment on such retail store (inclusive of, among others, renovation costs and other capital expenditure) is fully recouped from the accumulated net profit attributable to such retail store

GLOSSARY OF TECHNICAL TERMS

“New Tier 1 cities”	according to the F&S Report, as of the Latest Practicable Date, consists of Changsha, Chengdu, Chongqing, Dongguang, Hangzhou, Kunming, Nanjing, Ningbo, Qingdao, Shenyang, Suzhou, Tianjin, Wuhan, Xi’an and Zhengzhou, which are classified based on economy development, city transportation, diversity of lifestyles, commercial resources and other factors of the cities in the PRC for the purpose of this prospectus
“OEM”	original equipment manufacturer, a company that manufactures a product in accordance with its customer’s designs which ultimately will be branded by its customer for sale
“POS system”	point of sale system, usually at the checkout/cashier counter in a store or a location where a transaction occurs, to keep track of inventory record, product price, sales and returns
“ready-to-wear apparel”	clothing made in standardised sizes and are sold in finished condition
“RMS”	retail management system
“sales floor area”	floor area that is devoted to retail activities
“same store sales growth”	year-to-year growth in the sales amount by of retail stores that have been in operation throughout the relevant years without material interruption
“Tier 1 cities”	as of the Latest Practicable Date, consists of Beijing, Shanghai, Guangzhou and Shenzhen
“Tier 2 cities”	as of the Latest Practicable Date, includes Changchun, Dalian, Foshan, Haikou, Harbin, Huizhou, Jinan, Nanning, Taiyuan, Xiamen, Xuzhou, Zhongshan and Zhuhai for the purpose of this prospectus
“Tier 3 cities”	as of Latest Practicable Date, includes Guilin, Hengyang, Jiangmen, Liuzhou, Sanya, Shantou, Zhanjiang and Zhaoqing for the purpose of this prospectus

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our dividend.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may

FORWARD-LOOKING STATEMENTS

be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to our operations in the PRC and Macau; (iv) risks relating to the Global Offering; and (v) risks relating to the statement in this prospectus.

RISKS RELATING TO OUR BUSINESS

Failure to maintain good business relationship with international brand owners of our fashion apparel and lifestyle products may adversely affect our profitability.

The success of our business and our growth depends, to a significant extent, on our relationships with the brand owners or their master/authorised licensors of our major brands, such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *EA7*, *Ed Hardy*, *Hogan*, *Moschino*, *Neil Barrett*, *Philipp Plein*, *Tommy Hilfiger*, and *Under Armour*, etc. We believe the popularity and recognition of the international brands that we carry in our retail stores, especially our mono-brand stores, are important to our success. Although we seek to maintain stable business relationships with our brand owners or their master/authorised licensors and strive to enter into distribution agreements with them, we cannot assure you that they would enter into distribution agreements with us or continue to renew their distribution agreements with us with the terms acceptable to us upon expiry, or even maintain such business relationships with us at all. If any brand owners or their master/authorised licensors of our major brands terminate or refuse to enter into or renew their distribution agreements with us, we may lose the distribution right of the brands and we may not be able to identify and secure new brands in lieu thereof. In addition, we cannot assure you that our brand owners or their master/authorised licensors will continue to supply their apparel products to us in volume similar to historical levels. On the other hand, if we are unable to fulfil our obligations under the distribution agreements whereby our distribution right may be terminated or at risk, our business, financial condition and results of operations will be materially and adversely affected. Furthermore, we may also be unable to receive full support

RISK FACTORS

from the brand owners in terms of marketing and promotion of the brands using their resources, product development, personnel training, intellectual property and other business know-how.

Further, our ability to establish new retail stores in our existing markets and to penetrate into new regions in Greater China depends on the willingness and ability of the brand owners or their master/authorised licensors to supply sufficient amount of apparel products to our new retail stores and to cooperate with us in our marketing and promotion activities. The unwillingness or inability of the brand owners to supply their apparel products to us on acceptable terms could lead to a decrease in our profits.

We face competition from brand owners and their distributors.

Most of the distribution agreements we entered into with brand owners are for a specified territory, such as a city in Mainland China, Macau or Hong Kong and are non-exclusive or with only very limited degree of exclusivity as most brand owners would reserve the right to operate retail stores by themselves or by other distributors. Our revenue generated from retail sales under non-exclusive distribution agreements and distribution agreements with a limited degree of exclusivity in a designated area, i.e. excluding the revenue generated from our sale of *Neil Barrett* in Mainland China and Macau, and, *Moschino* and three other brands in Macau where our distribution rights are exclusive, amounted to approximately HK\$754.0 million, HK\$792.1 million, HK\$1,040.7 million and HK\$700.4 million for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 79.4%, 74.3%, 77.4% and 78.5% of our revenue for the corresponding years/period. Under the terms of these distribution agreements, the brand owners are generally entitled to open their own retail store or appoint other distributors in the territories where our retail stores are opened. We are subject to the risk that the brand owners, through themselves or their licensors or other distributors, open and operate their own retail stores for sale of their branded products in the territories where we were also granted distribution rights, and that these retail stores may compete with our retail stores in terms of product pricing.

Upon expiration of the distribution agreements we entered into with brand owners or their master/authorised licensors, it is possible that the brand owners or their master/authorised licensors may take up the retail business of their branded products in place of our Group and/or open retail stores of their own in the territories where our retail stores are opened, in particular, if their brands have successfully gained popularity and penetrated into the local apparel retail market. If it happens, we have to cease the operation of our retail stores following the expiration of the distribution agreements. During the Track Record Period, the brand owner of a well-known American premium brand for sportswear, denim, accessories and footwear had opened its own stores in the Tier 1 cities where our Group's retail stores had been operated soon after expiration of our distribution agreements with it. The revenue generated from all retail stores of this brand in Tier 1 cities, which had to be closed down, during the Track Record Period amounted to approximately HK\$70.0 million, HK\$26.4 million, nil and nil during the Track Record Period. We cannot assure you that the taking over the retail of the branded products by the brand owners or their master/authorised licensees would not happen or the scale of which would not be material in the future.

RISK FACTORS

Our business depend on the brand recognition, popularity of our merchandise and consumer preferences, which are beyond our control.

Apparel retail industry, particularly for fashion apparel of designer label brands and popular global brand, is sensitive to fast changing consumer preferences. The success of our business is largely dependent on our ability to anticipate future fashion trends and consumer preferences so as to purchase and retail fashion apparel in our retail stores that match the taste of our target customers and to address the evolving needs and preferences of our consumers in different regions in Greater China. Consumer preferences differ across and within different regions in Greater China and among different customer groups, and thus are influenced by factors such as changing aesthetic and evolving styles. Our ability to identify and source the brands that are well-received by our customers or emerging fashion-forward brands with strong growth potential is key to the sustained growth of our business. Hence, maintaining and enhancing the recognition, image and popularity of our existing brands as well as keeping up with the latest fashion trends and our ability to identify new brands are all critical for us to differentiate our fashion apparel from and to compete effectively with our competitors. Our brand portfolio could be jeopardized if we fail to pioneer and keep pace with evolving fashion trends, or timely fulfil orders for popular and trendy apparel. In addition, any negative publicity or disputes regarding our brands, our Group's image and services or our management could also materially harm the image of the branded products offered by us and of our Group.

Each of our major brands such as *Neil Barrett*, *Ed Hardy*, *Calvin Klein Jeans*, *Philipp Plein*, *Moschino* and *Under Armour*, etc. has its own designs, features and characteristics that fit the tastes and needs of our target consumer groups. The success of our business depends, to a large extent, on the brand popularity, recognition, our ability to select merchandise from our brand owners or their master/authorised licensors that suit the taste of our target customers. However, the apparel retail business has experienced significant changes in fashion trends, customers' preferences and tastes over time, which is beyond of our control. If we fail to promote any of the popular brands in our retail stores or to enhance the brand recognition and awareness among our customers, or if we are subject to events or negative allegations affecting the image or publicly perceived position of our retail stores, obsolete inventory will be resulted and thus, our business, operating results and financial condition could be materially and adversely affected.

In addition, it may take considerable time and require significant resources to successfully launch a new brand. Accordingly, we cannot guarantee that any new brand we introduce in the future will be profitable.

Furthermore, our competitors may also purchase the products directly from the brand owners in Europe, the U.S. or other countries and offer these products for sale in the territories we have operated at a lower price. As a result, our sale of these products would be adversely affected. We cannot assure that we will be able to compete against these parallel-imported products.

RISK FACTORS

We recorded net current liabilities as of 31 December 2016 and 2017. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.

As of 31 December 2016 and 2017, we recorded net current liabilities of approximately HK\$7.1 million and HK\$4.7 million, respectively, primarily due to the application of IFRS 16 which crystallised one year's future rental payment of approximately HK\$139.0 million and HK\$151.7 million into current lease liabilities as of 31 December 2016 and 2017 respectively while there was no corresponding increment in the current asset side as right-of-use asset was recognised as non-current asset. We did not record net current liabilities as of 31 December 2018 and 31 July 2019. For further details, please refer to paragraph headed "Financial Information – Net current assets" in this prospectus.

On the other hand, there is no assurance that our operation will generate sufficient cash inflow especially during low season or we could raise funds from other channels, such as loan financing from banks or authorised institutions, to finance all our activities and cover our general working capital requirements in the future, which may cause us a significant finance cost.

We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of borrowings will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position will be materially and adversely affected.

Failure to maintain inventory at right level could increase our risk of inventory obsolescence, lead to channel stuffing, cause us to lose sales or decrease our profit margins.

Maintaining inventory at right level is critical to the profitability of our business. However, we are exposed to inventory risks as a result of a variety of factors beyond our control, including changing fashion trends and consumer needs, uncertainty of success of fashion apparel launches, products returned by our customers and seasonality.

Our inventory primarily consists of branded apparel. As we are generally not allowed to return the apparel to our suppliers, there are potential risks of obsolete stock, which may affect our financial performance in the subsequent periods. As at 31 December 2016, 2017 and 2018 and 31 July 2019, the provision for impairment of our inventories amounted to approximately HK\$28.6 million, HK\$28.4 million, HK\$27.6 million and HK\$30.4 million, representing approximately 10.0%, 9.7%, 7.5% and 6.7% of the gross inventories as at the corresponding day, respectively. In addition, if we fail to manage our inventory effectively, we may be subject to a heightened risk of having obsolescent and off-season inventories which we may not be able to move swiftly. The slow movement of our inventories may lead to an increase in our inventory level and thus an increase in our inventory holding costs and provision for impairment of

RISK FACTORS

inventory. Further, we may be forced to rely on markdowns or promotional activities to dispose of obsolescent and off-season inventories, which would lower our profit margins. As a result of the above, our financial condition and results of operations may be materially and adversely affected.

Moreover, we generally estimate the demand for the apparel products of different brands in the coming season ahead. In this connection, we cannot assure you that we can accurately predict these trends and events and avoid under or overstocking inventory. In addition, we remain vulnerable to the frequently changing fashion trends and customers' preferences associated with the apparel retail industry. Any unexpected change in demand for our fashion apparel and brands may result in our having out-of-stock or over-stocked items, which will have a direct impact on our sales and pricing plans. Increased inventories may adversely affect our pricing strategies, and we may be forced to rely on markdowns or promotional activities to dispose of unsold items, which in turn may adversely affect our financial condition and results of operations. Increased inventories may also lead to an increase in provision for impairment of inventory. As a result, our financial condition and results of operations could be materially and adversely affected.

We rely on major suppliers for the supply of our merchandise.

Although we have a diverse brand portfolio comprising 110 international brands obtained from the brand owners or their master/authorised licensors, we derived most of our revenue from several major suppliers during the Track Record Period. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate purchases from our Group's five largest suppliers accounted for approximately 70.3%, 71.2%, 64.0% and 62.5% of our total purchases, respectively, and our largest supplier accounted for approximately 29.3%, 24.4%, 19.3% and 19.4% of our total cost of purchases, respectively. In turn, our business, financial condition and operating results depend on the continuous supply of branded products from our five largest suppliers and continuous business relationship with them. For further details of our relationship with these suppliers, please refer to the paragraph headed "Business – Suppliers – Our top five suppliers" in this prospectus.

We are subject to credit risk with respect to trade receivables.

Our trade receivables as at 31 December 2016, 2017 and 2018 and 31 July 2019 amounted to approximately HK\$45.8 million, HK\$57.3 million, HK\$66.8 million and HK\$66.0 million, respectively, accounting for approximately 4.5%, 5.5%, 5.5% and 4.6% of our Group's total assets, respectively. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the average number of trade receivables turnover days was 17 days, 18 days, 17 days and 16 days, respectively.

Our trade receivables are primarily due from (i) shopping malls where our retail stores are located which would centrally collect payments from our customers and subsequently settle with our Group; and (ii) credit card companies. In this connection, our Directors consider that the credit risk of trade receivables is relatively low and the impairment provision of trade

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receivables is insignificant. Nevertheless, there is no assurance that all such amounts due to our Group will be settled on time, or that the time for payment of amounts to us will not be prolonged in the future. Accordingly, we face credit risk in collecting trade receivables due from shopping malls and credit card companies. Our performance, liquidity and profitability would be adversely affected if significant amounts due to our Group are not settled on time or if substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of these shopping malls and credit card companies could also adversely affect our business and financial condition.

For further details of our exposure to credit risk arising from trade receivables, please refer to Note 20 to the Accountant's Report in Appendix I to this prospectus.

We may not be able to fully and effectively compete against online apparel retailers

We primarily rely on our retail stores to sell our products to end customers. We do not have well-developed online sales channels and our revenue from the sale of our merchandise through online e-shopping platform TMALL.com (天貓), an online mall store operated by an Independent Third Party e-commerce operator in Mainland China during the Track Record Period, was not significant. According to the F&S Report, the integration of "Internet+" concept into apparel retail industry is an inevitable development trend in Mainland China. The online retail market revenue in Mainland China grow to around HKD12 trillion in 2018 with CAGR of around 40% during the period from 2013 to 2018. Therefore, we may face competition from the online retailers. If we fail to cater to incorporate the "Internet+" concept into our business or if we cannot expand our online retail business efficiently and quickly as compared to our competitors or at all, we may fail to ride on the online retail trend and our market share may decrease and our results of operations may be adversely affected.

We are exposed to competitions from parallel importers in the Greater China market.

While we obtain distribution right from relevant brand owners or their master/authorised licensors for selling their branded apparel products in Greater China, these branded apparel products can be imported to the Greater China market by parallel importers without proper authorisations from the brand owners or suppliers. These parallel-imported products may be sold at a lower price than ours owing to their lower operational and promotional costs. As such, there is a risk that we will face material competition from parallel importers or competitors in general if the brand owners or the relevant government in the Greater China does not implement any measures to combat parallel trading activities.

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Upon knowing the existence of any parallel trading of our branded products which would affect our distribution right of the branded products, we will notify the brand owner of the parallel trading activities and request the brand owner to take legal action to restrain parallel trading of the products to the market in which we are operating. However, as we are generally not the exclusive distributor of the branded products nor had we been authorised by the brand owners to take any legal action against the parallel importers of their branded products, our role is rather passive in this respect. During the Track Record Period and up to the Latest Practicable Date, our Group had requested a brand owner to take action against parallel trading for one time.

Hence, we cannot restrain the parallel importers from selling the products in any part of Greater China. In such circumstances, to protect ourselves under such risk, certain brand owners have stuck label with tracking code onto each product in order to distinguish our products from those parallel imported products; and publish in our website and other publications that we are the distributor of the apparel products in the region specified. However, these two measures are relatively passive and might not be able to discourage consumers to purchase parallel imported apparel products in view of the lower price offered by these parallel importers. As we are not the brand owner of the products we distribute, the action we can take against the infringer, if any, of the trademarks of the products we distribute is rather limited.

We are exposed to the risks relating to the commercial real estate rental market.

During the Track Record Period, most of our retail stores, offices and warehouses were operated in leased properties. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, property rentals for our retail stores, offices and warehouses amounted to approximately HK\$213.9 million, HK\$218.0 million, HK\$250.8 million and HK\$184.7 million, respectively, representing approximately 22.5%, 20.4%, 18.7% and 20.7% of our total revenue, respectively. The tenancy agreements for our retail stores normally have a fixed term ranging from one to five years. As at the Latest Practicable Date, five, 59 and 51 tenancy agreements and concession contracts (collectively, the “**tenancy agreements**”) of our retail stores will be expiring by the end of 2019, 2020 and 2021, respectively. For some of the tenancy agreements, a revenue rental is payable which is calculated based on a pre-agreed percentage of the gross sale proceeds of the retail store, or the higher of either a fixed monthly rental or the revenue rental. Hence, our rental expenses will increase correspondingly if our sales increase.

In respect of our retail stores, if we cannot reach an agreement with the landlords for the renewal of the tenancy agreements upon their expiration on terms and conditions acceptable by us, we will have to close down the relevant retail store and look for a new location in the vicinity to reopen the retail store. We cannot assure you that we can identify suitable location in the vicinity thereof or compete with our competitors for suitable locations in prime shopping areas to open our retail stores. If that happens, we may have to move our existing retail stores to other locations, which would not only incur relocation costs, such as the renovation costs and payment of rental deposits, but may also lead to a loss of sales for the existing retail store that would have contributed during its period of cessation of business. We cannot assure you that the relocated retail stores can generate the same or more revenue and profit compared with that previously generated from the closed retail stores.

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In respect of our offices or warehouses, if we cannot reach an agreement with the landlords for the renewal of the relevant tenancy agreements, we will have to relocate our offices or warehouses and will cause material disruption to our business operations.

Hence, any relocation of our retail stores, offices and/or warehouses would have a material adverse effect on our business and operating results.

We may fail to manage and expand our brand portfolio effectively.

Our business of operating retail stores accounted for approximately 95.2%, 94.5%, 95.0% and 93.3% of our revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. Our ability to maintain our existing distribution agreements with brand owners or their master/authorised licensors and to enter into new agreements with them is therefore critical to the growth of our business.

We constantly seek to diversify and expand our brand and merchandise portfolio that we carry by establishing business relationship with new brand owners through entering into distribution agreements or cooperation arrangement with them. However, whether we will be able to establish business relationship with new brand owners is dependent on a number of factors, including whether we would be able to identify suitable brand owners who are seeking distributors in the Greater China market, whether our retail network and our sales experience would be a good match with those brand owners and whether our competitors would be able to offer better terms than us to those brand owners. There is no assurance that we will be able to enter into distribution agreements or cooperation arrangement with new brand owners to support our growth.

Our retail stores may fail to achieve Breakeven Point and/or Investment Payback Point within the typical range of breakeven and investment payback periods.

We opened 35, 41, 66 and 21 retail stores, respectively, totaling 163 retail stores during the Track Record Period, and plan to open a total of 76 new retail stores (consist of 51 retail stores for expanding the geographical coverage of our self-operated retail stores and 25 retail stores for exploring new brands and developing our recently operated brands) in 2020 and 2021.

For the 163 retail stores newly opened during the Track Record Period, excluding the three new retail stores in Taiwan, 47 of them failed to reach Breakeven Point within the typical range of breakeven period for their respective territory of operation, and excluding 18 new retail stores (including the three retail stores in Taiwan and 15 retail stores for which we had not incurred any capital expenditure on their establishment), 41 of them failed to reach Investment Payback Point within the typical range of investment payback period for their respective territory of operation.

We cannot assure you that the 76 retail stores we planned to open in 2020 and 2021, or any new retail stores we open in the future, will reach Breakeven Point within the typical range of period for achieving the same or will reach the Investment Payback Point within the typical

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range of investment payback period, if at all. Although we will try to find out the reasons leading to a retail store's underperformance and to devise ways to improve its performance, if in vain or the reasons for its underperformance are beyond our control, we may have to relocate the retail store to a more suitable location or close it to reduce further loss. We cannot assure you that the relocation will successfully generate profit for underperforming retail stores. If we have to close these newly opened retail stores which cannot achieve Breakeven Point and/or Investment Payback Point, our investments in these retail stores may not be able to be recovered; and by that time, our results of operations and financial position will be materially and adversely affected and, if the underperforming retail store is a mono-brand store, it may adversely affect our business relationship with the brand owners or their master/authorised licensors of the affected brand.

Even if these new retail stores can achieve Breakeven Point, we cannot assure you that they can achieve the Investment Payback Point within the typical range of period for achieving the same, if at all, thereby failing to fully recoup the initial investment on such retail store from the accumulated net profit attributable to such retail store, which may adversely affect our profitability and financial position.

We may not be able to achieve same store sales growth.

During the Track Record Period, our same store sales growth rates amounted to 7.4% and 2.8%, respectively, in FY2017 and FY2018. We plan to continue to enhance the performance of our existing retail stores by taking measures such as upgrading the interior design and renovation of our retail stores or converting some of them to flagship stores, raising service quality, optimizing information management system through our new centralised retail management system, which will also enhance our store operation and inventory management capabilities. However, these initiatives contain many uncertainties and we may not be successful in any of these respects, which will have a material adverse impact on our business, operating results and financial condition.

We may be subject to additional contributions of social security and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), our PRC subsidiaries are required to make contribution to social security and housing provident funds for our employees. During the Track Record Period, we failed to make full contribution to the social security and housing provident funds for some of our employees based on their actual wages. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate amount of outstanding contributions which should have been made by our PRC subsidiaries were approximately RMB2.7 million, RMB5.0 million, RMB7.6 million and RMB3.8 million, respectively. For details, see the paragraph headed "Business – Non-compliances" in this prospectus. No penalty had been imposed by the relevant PRC government authorities during the Track Record Period. However, we cannot assure you that the relevant PRC authorities will not notify and require us to pay the outstanding contribution and late payment in the future. If we

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fail to pay the outstanding social security contributions within the prescribed period and as requested by the relevant authorities, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing provident fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment.

We have limited flexibility on the pricing of our merchandise.

Under most of the distribution agreements we entered into with the brand owners, the retail price of the merchandise sold at our retail stores is either set or recommended by the brand owners, to which we are required to adhere in both cases. Prior consent from brand owners will generally be required if we wish to adjust the pre-set or recommended retail price or offer a discount to the retail price. We therefore have limited flexibility on the pricing of our merchandise. Should we experience slow movements of certain items due to mispricing by the brand owners or other factors, we may not be able to dispose of excessive inventory through markdowns or promotional sales in a timely manner or at all. As a result, our working capital requirements may increase, our sales and profits may decrease, and our results of operations and financial condition may be negatively and materially affected.

We rely on key management personnel.

Our future success depends heavily upon the talent, experience, leadership and continued services of our Directors and senior management, including Mr. Fan, who is our founder, one of our Controlling Shareholders, chairman and executive Director. We rely on Mr. Fan's good fashion sense and insight in fashion trend to identify promising international brands. We also rely on the expertise of our Directors and senior management in developing business strategies, managing business operations, developing sales and marketing strategies and strengthening our relationships with brand owners. If one or more of our Directors were unable or unwilling to continue in their present positions, we may not be able to replace them in time or at all.

The departure of any member of our senior management team could have an adverse effect on our business and prospects. Competition for talents in the apparel retail industry in Greater China is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires.

The sale of counterfeit products by third parties may harm our reputation and lead to reduced consumer confidence and loss of sales.

Our retail stores and other sales channel focus on Greater China. The protection of intellectual property rights under PRC laws has historically been insufficient as a result of ineffective implementation, enforcement and inconsistent interpretation. There can be no assurance that we will receive effective protection if the trademarks or other intellectual property rights of any brands distributed by us through our sales channel are infringed by third parties.

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The international branded apparel products sold in our retail stores and other sales channel are also susceptible to the sale of counterfeit products in similar designs or products using similar trademarks or trade names by third parties. The sale of such counterfeit products, which are inferior in design and quality, may harm the brand image of the branded apparel and our reputation, and may lead to reduced consumer confidence and therefore a loss of sales. We may not be able to take those actions which are only available to the registered owner of these trademarks or trade names in respect of the sale of counterfeit products, and may need to seek alternative causes of action available under PRC law, which may or may not be successful. Brand owners or registered owner of these trademarks or trade names may commence legal proceedings against such infringement of trademarks or other intellectual property rights and may require our support. If that happens, such legal proceedings may be time consuming and we may be required to devote substantial time and resources to assist the brand owners to achieve a favorable outcome. If we fail to timely identify illicit use of our trade names and trademarks, or if our brand owners or our Group are unsuccessful in legal proceedings against any infringements of our intellectual property rights, the reputation of the branded products sold by us could be damaged and thus have a material adverse effect on our business, financial condition, results of operations and prospects.

Part of our leased properties in the PRC may be subject to legal irregularities.

As of the Latest Practicable Date, some of our tenancy agreements for leased properties were not registered with the competent authorities. As advised by our PRC Legal Advisors, tenancy agreements that are not registered with the competent authorities may be subject to fines ranging from RMB1,000 to RMB10,000 per non-registration. As advised by our PRC Legal Advisors, the non-registration does not affect the validity of the lease agreements.

As of the Latest Practicable Date, (i) the landlord of one property which we use as office with a gross floor area of approximately 595.42 sq.m. in the PRC was still in the course of applying for title certification and cannot provide us with the valid title certificate; and (ii) the landlord of one property which we use as warehouse with a gross floor area of approximately 660 sq.m. in the PRC cannot provide us with a valid title certificate or other ownership documents. Any dispute or claim in relation to the title of these two properties could require us to vacate the premises and relocate the office or warehouse therein.

As of the Latest Practicable Date, one property for operation of our retail store with a total sales floor area of approximately 98 sq.m. was located on parcels of land of which the approved land use was not for commercial purpose. As advised by our PRC Legal Advisors, it is the relevant lessor's responsibility to comply with the relevant requirements and to complete the requisite procedure for lease of these parcels of land. Any failure to fulfill such procedure may subject the relevant lessor to penalties imposed by the land administrative authorities and the tenancy agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, we may be required to vacate from the relevant retail store location.

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If any of our tenancy agreements are terminated or voided as a result of challenges from third parties or the PRC government, or we are otherwise required to vacate from the above-mentioned properties, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, if we were required to relocate our retail stores that are located on these leased properties, we estimate that the costs would be ranged from approximately HK\$0.2 million to HK\$0.3 million for each retail store. Once we identify a new location, we believe that generally it would take us less than one month to relocate or reopen a retail store to a new location. For more details of these legal irregularities, see “Business – Properties – Leased Properties” and “Business – Non-compliances”.

Our insurance policies may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third party liabilities.

We do not maintain insurance to cover product liabilities with respect to our apparel products or losses, as a result of business interruptions or defaults by third parties. There can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities. If our insurance policies are insufficient to cover our losses or liabilities, there may be a material adverse effect on our business, financial condition and results of operations.

We may not be able to extend our geographical coverage and customer reach through expanding our network of retail stores.

We believe maintaining an effective and extensive network of retail stores is crucial to our business success and future growth. As at the Latest Practicable Date, our retail stores consisted of 182 mono-brand stores and 33 multi-brand stores in Greater China, carrying 113 brands comprising 110 international brands and three our own brands. To further increase our market share, we plan to continue to evaluate the geographic coverage of our current retail stores in Greater China, open 51 new retail stores, and increase our brand awareness especially in our target markets. We will also convert some of our retail stores of certain popular brands to flagship stores. However, there are a number of factors which could affect our ability to open new retail stores and implement our expansion plan. These factors could also affect the ability of the newly opened retail stores to achieve sales and profitability levels comparable with our existing retail stores or to become profitable at all. These factors include: (i) our ability to identify new promising brands; (ii) our ability to identify suitable locations for our retail stores; (iii) our ability to negotiate acceptable concession or rental terms for those retail stores; (iv) our ability to maintain an efficient and cost effective operation; (v) the availability of adequate management and financial resources; (vi) our ability to hire, train and retain skilled personnel; and (vii) the market receptivity of the brands we carry and our merchandise.

We cannot assure you that we will be able to increase the number of retail stores as planned. We might not be able to identify and secure attractive locations for new retail stores at commercially acceptable terms. In addition, the expansion of our retail store network will put pressure on our managerial, financial, operational and other resources. If we are unable to

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extend our geographical coverage and customer reach through expanding our retail store network, our sales volume, growth potential and profitability could be materially and adversely affected.

Our ability to manage future growth will depend on our ability to continue to implement and enhance our operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce, including our ability to recruit qualified personnel with the necessary experience to operate our new retail stores in both existing and new geographic markets. We cannot assure you that our personnel, procedures, system and controls will be effectively managed to support our future growth. If we fail to effectively expand or maintain our retail sales network, our results of operations, growth potential and profitability could be materially and adversely affected.

Our operational and financial performance may be affected by the shortage of labour and increase in labour costs.

Operating retail stores is a labour intensive operation, and we may encounter difficulties in securing sufficient labour, in particular frontline salesperson, for our retail store operation. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, our employee benefit expenses, being the salary, bonus and fringe benefits paid to salespersons, amounted to approximately HK\$98.9 million, HK\$106.1 million, HK\$147.8 million and HK\$100.9 million, respectively, representing approximately 24.5%, 24.9%, 29.0% and 28.9% of our selling and marketing expenses during the corresponding years/period. According to the F&S Report, labour costs in retail and wholesale industry have generally increased in Greater China from 2013 to 2018. When there is a significant increase in the costs of labour, we have to retain our labour by increasing their wages, our labour costs will increase and as a result, our profitability will be adversely affected.

There is no assurance that the supply of labour and average labour costs will be stable at all times. If we experience a shortage of labour or we are unable to recruit labour with appropriate experience in time, we may not be able to support our operation. Significant increases in employee turnover rates, which is generally high in Macau's retail business, or significant increases in labor costs due to competition for talents or changes in labour and other relevant laws, could have a material adverse effect on our results of operations and financial condition. If labour costs continue to increase in Greater China, our costs of operation will increase and we will not be able to pass these increases to our customers due to the limited flexibility on the pricing of our merchandise. Accordingly, if we experience a shortage of labour or our labour costs continue to increase, our business prospects, financial condition and operating results may be adversely affected.

We are subject to interest rate risk.

We have bank borrowings of approximately HK\$222.5 million, HK\$234.5 million, HK\$210.3 million and HK\$267.2 million as at 31 December 2016, 2017 and 2018 and 31 July 2019 respectively, which are subject to interest rate risks. Some of the bank borrowings carry a

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floating interest rate and our Group is subject to the cash flow interest rate risk. The ranges of effective interest rates on our floating-rate bank borrowings, please refer to the paragraph headed “Borrowings” in Appendix I in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Group has not hedged any such cash flow interest rate risks.

The adoption of IFRS 16 may affect our statement of financial position, statement of profit or loss and certain key ratios due to our operating lease arrangements.

As at the Latest Practicable Date, we leased our offices, warehouses and 215 retail stores, which include 143 retail stores in Mainland China, 64 retail stores in Macau, six retail stores in Hong Kong and two retail stores in Taiwan. Under IFRS 16, which we have adopted throughout the Track Record Period, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Our current accounting policy for such leases is set out in Note 2.24 of the Accountant’s Report in Appendix I to this prospectus.

The adoption of IFRS 16 would therefore affect virtually all commonly used financial ratios and performance metrics, such as gearing ratio, debt to equity ratio, interest coverage ratio, return on equity, return on total assets, current ratio, quick ratio, cash flows from operating and financing activities and etc. The recognition of right-of-use assets and lease liabilities expanded our consolidated statement of financial position and has materially affected our related financial ratios, resulting in an increase in total debt to equity ratio and a decrease in our net current assets, current ratio and quick ratio. In our consolidated statement of comprehensive income, the adoption of IFRS 16 gave rise to recognition of depreciation of the right-of-use assets and interest expense on lease liabilities, instead of recognition of lease payments as rental expenses. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability has resulted in a change of expenses recognition pattern, in particular, a higher total charge to the statement of comprehensive income in the initial years of the lease term, and decreasing expenses during the latter part of the lease term. The combined effects from the adoption of IFRS 16 on the consolidated statements of comprehensive income of our Group as compared to IAS 17 were significant for the year ended 31 December 2016 and 31 December 2017 as the number of our retail stores began to increase sharply in these years. The impact for the year ended 31 December 2018 and the seven months ended 31 July 2019 was not significant as the lease expenses of many existing stores decrease when approaching the latter part of the lease term. For further information on the effects of the adoption of IFRS 16, see section headed “Financial Information – Critical Accounting Policies and Estimates – Adoption of IFRS 9, IFRS 15 and IFRS 16 – IFRS 16” in this prospectus.

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We are uncertain about the recoverability of our deferred income tax assets, which may affect our financial positions in the future.

As at 31 December 2016, 2017 and 2018 and 31 July 2019, our deferred income tax assets amounted to approximately HK\$18.3 million, HK\$12.8 million, HK\$13.0 million and HK\$12.8 million, respectively, which represents the unused tax losses from our group companies. For details of the movements of our deferred income tax assets during the Track Record Period, please refer to Note 17 to the Accountant's Report in Appendix I to this prospectus. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for recovering the deferred income tax assets. In this context, we cannot guarantee the recoverability of our deferred income tax assets or ascertain the extent to which they may affect our financial positions in the future.

We are exposed to fair value changes of financial liabilities of call options measured at fair value through profit or loss, as the valuation of such investment in insurance contracts and financial liabilities may involve unobservable inputs that require judgment and assumptions which are inherently uncertain.

As at 31 December 2016, 2017 and 2018 and 31 July 2019, we had financial liabilities at fair value through profit or loss of approximately HK\$9.4 million, HK\$10.7 million, HK\$11.6 million and HK\$7.2 million, respectively. For further details, please refer to Note 30 to the Accountant's Report in Appendix I to this prospectus.

The financial liabilities at fair value through profit or loss, i.e. the call options granted to the brand owner of *Neil Barrett*, are not traded in an active market, and the fair value of such financial liabilities is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable inputs, such as the discount rate and the EV/EBITDA multiples. We use our judgment to make assumptions that are mainly based on the then prevailing market conditions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets.

The valuation techniques that we use may involve a significant degree of management judgement and are inherently uncertain, and may result in material adjustment to the carrying amounts of such financial liabilities, which in turn materially and adversely affect our results of operations.

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Our historical results may not be indicative of our future growth rate, revenue and profit margin.

We experienced substantial growth in our revenue over the Track Record Period. During FY2016, FY2017, FY2018 and the seven months ended 31 July 2019. We recorded revenue which amounted to HK\$950.1 million, HK\$1,066.6 million, HK\$1,344.9 million and HK\$891.9 million, respectively. The net profit margin for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 is 0.6%, 5.6%, 8.1% and 3.4%, respectively. The increase in revenue in those financial years or periods was primarily due to the combined effect of the increase of average sales floor area and the increase in number of brands. For discussion of our results of operation, please refer to the paragraph headed “Financial Information – Results of operations” in this prospectus. Such trends of the historical financial information of our Group are only analysis of our past performance. They do not have any positive implication, nor would they necessarily reflect our financial performance in the future, which will largely depend on our capability to identify new promising international brands, operate our retail stores effectively and maintaining good relationships with brand owners. Prospective investors should be aware of the risk of our Group’s failure to secure future sales volume when considering our Group’s financial results.

The inherent risk of using such historical financial information of us to project or estimate our financial performance in the future, is that they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, our Group’s ability to operate our retail stores effectively.

We cannot assure you that we will be able to achieve the same performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

Our sales are subject to seasonality which could cause our results of operations to fluctuate.

According to the F&S Report, the apparel retail market is heavily influenced by seasonality. During the Track Record Period, we generally derived a higher amount of revenue generated from sales of our merchandise in October, December and the month before Chinese New Year and a lower amount in June and September. This seasonal pattern may result in the fluctuation of our operating results, therefore, comparing our results of operations across the different periods of a given year as an indicator of our performance may not be meaningful and should not be relied upon as indicators of future performance. Furthermore, if our operations are disrupted or affected by unpredictable events taking place during October, December and the month before Chinese New Year, our business, financial condition and results of operations would be adversely affected. Our sales and operating results are likely to continue to fluctuate due to seasonality.

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We may not be able to implement all or any of our business plans successfully.

As part of our business strategies, we plan to expand our retail network by opening 51 new retail stores in Greater China. Such future plan is developed based on a number of assumptions, forecasts and commitments of our Group. We may not succeed in executing our business strategies due to a number of reasons, including the following:

- we may fail to identify and rent suitable premises within our expected budget for opening additional retail stores or recruit a sufficient number of skilled salesperson to align with our expansion plan;
- we may not have sufficient available financial resources;
- we may not be able to negotiate favourable terms with brand owners or master licensor of brand owners;
- we may not be able to hire, train and retain skilled sales and managerial personnel for the operation of our retail stores;
- we may fail to adapt to the new information technology system;
- we may fail to expand our retail store network;
- we may fail to meet our customers' demands for chic and stylish fashion apparel and lifestyle products; and
- we may fail to reach our expected targets from our expansion plan and business strategies.

If we encounter difficulties in implementing our business strategies, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition and results of operations. On the other hand, there is no assurance that all or any of our business strategies and future plans will be successfully implemented.

There is no assurance that we will pay dividends in the future.

Our Group had declared dividend in the past. However, there is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the paragraph headed "Financial information – Dividend policy" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

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We may suffer losses from fluctuation in foreign exchange.

During the Track Record Period, payment at our retail stores are mainly settled in RMB, MOP, Hong Kong dollar and TWD in Mainland China, Macau, Hong Kong and Taiwan, respectively while most of the purchases made from our suppliers were denominated and settled in Euro and RMB, Hong Kong dollar or U.S. dollar. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, approximately 30.4%, 25.5%, 39.1% and 29.3% of our total purchases were settled in Euro, respectively, and approximately 22.7%, 31.9%, 44.6% and 24.9% of our total purchases were settled in RMB, respectively. Therefore, we are subject to risk of fluctuation in foreign exchange.

Fluctuations in foreign exchange may be caused by various factors and unpredictable. We cannot guarantee that we will not suffer losses on foreign exchanges in the future. In the event that we are unable to manage our foreign currency risks effectively or at all, our business, results of operation and financial condition may be materially and adversely affected.

If we receive dividends from our PRC subsidiaries, such dividends may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay Shareholders.

If we receive dividends from our subsidiaries in the PRC, such dividends may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay Shareholders.

We are a holding company incorporated under the laws of Cayman Islands and have subsidiaries in the PRC, from which we may receive dividends. Pursuant to the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise, unless the jurisdiction of the foreign investor’s tax residence has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion 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》, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, e.g., the beneficial ownership requirement, are met. Furthermore, under the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers 《國家稅務總局關於發佈非居民納稅人享受稅收協定待遇管理辦法的公告》, which was issued in August 2015, the applicant for the preferential withholding rate is required to make a record with its in-charge tax authority and submit all the requisite application materials. No government approval for the application is required, although the relevant tax authorities may challenge the applicability of the preferential withholding rate later on.

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We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to their immediate holding companies.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in the apparel retail industry in Greater China which is a highly competitive and fragmented market.

The apparel retail industry in Greater China is highly competitive and fragmented. According to the F&S Report, the apparel retail market in Macau, the jurisdiction in which we derived most of our revenue during the Track Record Period, is well diversified. The top five apparel distributors in terms of retail sales values in 2018 (including us) represented only 11.5% of the total market in Macau, where our Group ranked the first with a market share of 4.3%. We face competitions from other market participants such as brand owners and distributors of other international brands, and retails of fashion apparel with similar market positioning as our merchandise on, among other things, brand recognition, product variety, marketing and promotion, retail network coverage and customer loyalty. Some of these market participants may have greater access to capital, longer operating histories, longer or more established relationships with their suppliers and customers, better retail network and greater marketing and other resources than we do. New participants who possess appropriate skills, retail experiences, sufficient capital and resources may enter the industry and compete with us. Intense competition may result in lower operating margins and loss of market shares, which may adversely affect our profitability and operating results.

Results of our operation will be adversely affected if the broader economy of Greater China experiences a downturn.

The apparel retail industry is sensitive to broader economy trends, especially the market for mid-to-high end international brands. A recession in the economy, or uncertainties regarding future economic prospects, of Greater China could affect consumer spending habits in Greater China, including a reduction in their spending, and have an adverse effect on our business. A sustained economic downturn would likely have an adverse effect on our results of operations and financial condition. There can be no assurance that we will be able to maintain our historical growth in revenues, or remain profitable in the future.

An outbreak of infectious diseases, natural disasters and other travel disruptions could reduce the number of visitors to Greater China and adversely affect our business and results of operations.

Past incidents of outbreak of H1N1 influenza, avian flu and severe acute respiratory syndrome in Greater China have had a negative impact on people's willingness and ability to travel to or within the region, as well as a negative impact on economic activity within the

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region. A future outbreak of a highly infectious disease or fears concerning such an outbreak could potentially reduce the number of visitors to the region. An outbreak might also disrupt our ability to adequately staff our business and could disrupt our operations. Any new outbreak of such highly infectious diseases could thus have a material adverse effect on our business, financial condition, results of operations and cash flow.

In addition, natural disasters, inclement weather, acts of terrorism or regional political events could have a negative impact on international travel and leisure expenditures, including for lodging, gaming, shopping and tourism. We cannot predict the extent to which travel disruptions as a result of any such events would adversely affect our business, financial condition, results of operations and cash flow. For example, Macau is susceptible to severe typhoons, and a major typhoon or other natural disaster in Macau could severely disrupt our business and adversely affect our results of operations.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Changes in political and economic policies of the PRC government could have an adverse effect on the overall economic growth of the PRC, which could increase our operating costs and adversely affect our competitive position.

As at the Latest Practicable Date, we had 143 retail stores in the PRC representing approximately 66.5% of all our retail stores. We also derived a substantial portion of our revenue from our operation in the PRC during the Track Record Period. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from operating retail stores in the PRC were approximately HK\$402.1 million, HK\$424.1 million, HK\$469.0 million and HK\$299.5 million, respectively, representing approximately 42.3%, 39.8%, 34.9% and 33.6%, respectively, of our total revenue for the same period. Accordingly, our business, financial condition, operating results and prospects are affected significantly by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and operating results may be adversely and materially affected by government control over capital investments or changes in tax regulations that may be applicable to us.

The PRC economy has been transitioning from a planned economy to a more market oriented economy. However, the PRC government still exercises significant control over the economic growth of the PRC through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment

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to particular industries or companies. Furthermore, as the PRC economy has become increasingly linked with the global economy, the PRC is affected in various respects by downturns and recessions of major economies around the world. Any adverse change in the economic conditions in the PRC, in policies of the PRC government or in laws and regulations in the PRC, could have an adverse effect on the overall economic growth of the PRC and market demand for our merchandise and our competitive position.

Uncertainties with respect to the PRC legal system could have an adverse effect on our business.

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

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

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

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RISKS RELATING TO OUR OPERATIONS IN MACAU

Conducting business in Macau involves certain political risks.

During the Track Record Period, we derived most of our revenue from our operation in Macau. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from operating retail stores and providing store management services in Macau were approximately HK\$522.9 million, HK\$581.5 million, HK\$774.3 million and HK\$504.2 million, respectively, representing approximately 55.0%, 54.5%, 57.5% and 56.6%, respectively, of our total revenue for the same period.

Conducting business in Macau involves certain risks not typically associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau based companies. In the event that there is a downturn in the economy of Macau or there are changes in laws and policies governing the Group's business, our business operation and hence financial results and financial position may be severely affected.

Our business is sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending.

Demand for mid-to-high end fashion apparel that we offer is sensitive to downturns and uncertainty in the global and regional economy and corresponding decreases in discretionary consumer spending. Changes in consumer preferences could be driven by factors such as perceived or actual general economic conditions, the cost of travel, employment and job market conditions, actual or perceived levels of disposable consumer income and wealth, and consumer confidence in the economy. These and other factors have in the past reduced consumer demand for mid-to-high end fashion apparel and materially and adversely affected our business, financial condition and results of operations and could affect our liquidity position.

Although there was steady growth in terms of the number of visitors in Macau, we cannot assure you that these trends will continue or that government responses to global economic conditions will successfully address fundamental weakness in the markets, increase consumer confidence or increase market liquidity. Continued weakness in the global economy may result in a reduction in the frequency of visits by tourists, or may result in these tourists visiting Macau and our retail stores but spending less money. Any decrease in the growth of, or reduction in, consumer demand for mid-to-high end apparel in Macau would materially and adversely affect our apparel store business and, as a result, could materially and adversely affect our business, financial condition and results of operations.

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A potential slowdown in Macau's tourism industry may adversely affect our business, results of operations and financial condition.

According to the F&S Report, it is estimated that in Macau, retail sales value contributed by tourists takes around 90% of the total sales value, indicating the importance of tourism industry development to Macau's local retail industry. The increase spending from tourists are deemed as a crucial driver to regional economy development and apparel retailing industry growth in Macau. Furthermore, it is reported that the number of tourists in Macau grew from 29.3 million in 2013 to 34.5 million in 2018, with a CAGR of 3.3%. Going onwards, the number is expected to reach 47.9 million by 2023, representing a CAGR of 6.9% during 2019 to 2023.

The continued growth of the tourism industry in Macau is therefore crucial to our operation in Macau. However, we cannot assure you that Macau's tourism industry will continue to grow and prosper in the future. In the event that there is a slowdown in the tourism industry of Macau, the retail sector in Macau will be adversely affected, and our business, results of operations and financial condition could also be materially and adversely affected.

Restrictions on travel to Macau may adversely affect our business and results of operations.

As most of our revenue during the Track Record Period was derived from our retail stores in Macau and a large percentage of our business is generated by visitors to Macau. Any barriers to or restrictions on entry into Macau from Mainland China or abroad would have a material adverse impact on our business. If there are any measures that restrict the number of visitors to Macau from Mainland China could have a material adverse effect on our business, financial condition, results of operations and cash flow.

RISKS RELATING TO THE GLOBAL OFFERING

Investors for our Shares will experience immediate dilution.

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.897 and HK\$0.988 per Share based on the Offer Price at HK\$1.7 and HK\$2.1 per Offer Share respectively.

Shareholders' interests in our Company may be diluted as a result of additional equity fund raising.

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

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There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the prices of our Shares may be adversely affected and may decline below the Offer Price. Further, the Offer Price was the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Global Offering.

Further, we cannot assure you that an active trading market will develop or be maintained following completion of the Global Offering or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares may be volatile.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operations; and the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. The market price of our Shares may change unexpectedly due to factors such as variations in our revenue, net income and cash flow; the success or failure of our efforts in implementing business and growth strategies; and our involvement in material litigation as well as recruitment or departure of key personnel. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins.

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date, which is expected to be on Monday, 6 January 2020. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Monday, 13 January 2020. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, Shareholders are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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

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

Future sales of a substantial number of Shares by our existing Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to lock-up commencing on the date on which trading of our Shares commences on the Stock Exchange. While we are not aware of any intentions of our existing Shareholders to dispose of a significant amount of their Shares upon expiry of the relevant lock-up periods, there is no assurance that they would not dispose of the Shares held by them. We cannot predict the subsequent effect on the then prevailing market price of our Shares after any of such disposal.

Disposal of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of new Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of our major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares.

After Listing, the prevailing market price of Shares may be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

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Granting options under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership.

In the future, our Company may grant share options under the Share Option Scheme. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation under the IFRS, which may adversely affect our Group's results of operations. The issue of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such an issue. It may also result in the dilution of percentage ownership of the Shareholders, the earnings per Share and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme up to the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "D. Share Option Scheme" in Appendix IV in this prospectus.

RISKS RELATING TO THE STATEMENT IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Global Offering.

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our

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investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials 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.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. So far as the Global Offering 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 us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the International Placing and the Hong Kong Public Offering and are subject to, in each case, re-allocation described in the section headed “The Structure of the Global Offering” in this prospectus.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Hong Kong Underwriting Agreement (including the determination of the Offer Price by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around Monday, 6 January 2020, but in any event no later than Tuesday, 7 January 2020, being the expected Price Determination Date), the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Placing Shares are expected to be fully underwritten by the International Underwriters. For more information about the Underwriters and the underwriting arrangements, see the sub-section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

THE STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering are set out in the section headed “The Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the 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 pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Global Offering (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 13 January 2020. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 2528.

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. 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. Only certificates for Shares registered in the branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or 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 enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal share register will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

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 of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

Unless otherwise specified, all references to any shareholdings in our Company assume none of the Over-allotment Option is exercised.

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, translation of Renminbi into Hong Kong dollars, of US\$ into HK\$ in this prospectus, and vice versa in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

US\$1.00: HK\$7.75

RMB1.00: HK\$1.12

MOP1.03: HK\$1.00

For exchange rates translations through this prospectus (if any), no representations is made that any amount in Renminbi, US\$, MOP and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Fan Wing Ting (范榮庭)	Flat A, 40/F, Tower 7 18 Hoi Fai Road One SilverSea Tai Kok Tsui, Kowloon Hong Kong	Chinese
Ms. Chen Xingyi (陳幸儀)	Flat B, 28/F Ginkgo Pavilion Hua Mao Xin Yuan Junction of Hongli Road and Xinzhou Road Futian, Shenzhen China	Chinese
Mr. Kevin Trantallis (陳漢榮)	Flat LC, 23/F, Tower 1 Diamond, Hemera Tseung Kwan O, New Territories Hong Kong	Australian
Mr. Fong Yat Ming (方日明)	Estrada. Seac Pai Van BI.2 FL.23 D One Oasis – Cypress Tower Coloane Macau	Chinese
Ms. Fan Tammy (范麗君)	Flat C, 37/F, Tower 2 Imperial Seaview 10 Hoi Fai Road, Imperial Cullinan Tai Kok Tsui, Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

Mr. Chau Kwok Keung (鄒國強)	Flat B, 9/F, Block 2 Royal Peninsula 8 Hung Lai Road Hung Hom, Kowloon Hong Kong	Chinese
Mr. Yu Chun Kau (余振球)	Flat E, 43/F, Tower 4 L'Hiver – Les Saisons 28 Tai On Street Hong Kong	Chinese
Mr. Cheung Chun Yue, Anthony (張振宇)	Flat 2706, 27/F, Block C Fortress Metro Tower 238 King's Road Hong Kong	Chinese

For further information, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

China Industrial Securities International Capital Limited

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China Industrial Securities International Capital Limited

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Other Joint Bookrunners and Joint Lead Managers

Alliance Capital Partners Limited

1502 to 03A
15/F of Wing On House
71 Des Voeux Road Central
Central
Hong Kong

China Investment Securities International Brokerage Limited

Unit Nos. 7701A & 05B-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Sky Securities Limited

Unit 1803-04, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

GLAM Capital Limited

Room 908–911
Nan Fung Tower
88 Connaught Road Central
Hong Kong

Luk Fook Securities (HK) Limited

Units 2201–2207 & 2213–2214
22/F, Cosco Tower
183 Queen's Road Central
Hong Kong

RaffAello Securities (HK) Limited

Unit 1701
17/F., Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan
Hong Kong

Other Joint Lead Managers

Aristo Securities Limited

Room 101
1st Floor, On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

SynerWealth Financial Limited

Unit A
7th Floor, King Palace Plaza
55 King Yip Street
Kwun Tong
Kowloon
Hong Kong

Legal advisors to our Company

As to Hong Kong law

Addleshaw Goddard (Hong Kong) LLP

802–804 Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Barrister-at-law in Hong Kong

Mr. Chan Chung

Hin Lee Chambers

10/F, Grand Building

15–18 Connaught Road Central

Central

Hong Kong

As to PRC law

Zhong Lun Law Firm

8–10/F, Tower A

Rongchao Centre

6003 Yitian Road

Futian District, Shenzhen

518026

China

As to Macau law

Rato, Ling, Lei & Cortés – Advogados

Avenida da Amizade

555 – Macau Landmark Office Tower

23rd Floor

Macau

As to Taiwan law

Lee and Li, Attorneys-at-Law

8F

No.555, Sec.4, Zhongxiao E. Rd.

Taipei 11072

Taiwan

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisors to the Sole Sponsor
and the Underwriters**

As to Hong Kong law
TC & Co.
Units 2201–3, 22/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

As to PRC law
DeHeng Law Offices
11/F, Block B
Anlian Plaza
No. 4018 Jintian Road, Futian District
Shenzhen
China

Reporting accountant and auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

Industry Consultant

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

Compliance advisor

**China Industrial Securities International
Capital Limited**
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving bank

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

CORPORATE INFORMATION

Registered office in the Cayman Islands

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and principal place of business in Hong Kong

Suite 1204, 12/F, Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

Company's website

www.forward-fashion.com
(information on this website does not form part of this prospectus)

Company secretary

Mr. Kevin Trantallis (*HKICPA*)
Flat LC, 23/F,
Tower 1 Diamond,
Hemera, Tseung Kwan O,
New Territories
Hong Kong

**Authorised representatives
(for the purpose of the Listing Rules)**

Mr. Kevin Trantallis
Flat LC, 23/F,
Tower 1 Diamond,
Hemera, Tseung Kwan O,
New Territories
Hong Kong

Ms. Fan Tammy
Flat C, 37/F,
Tower 2 Imperial Seaview
10 Hoi Fai Road, Imperial Cullinan
Tai Kok Tsui, Kowloon
Hong Kong

Audit Committee

Mr. Chau Kwok Keung (*Chairman*)
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

Nomination Committee

Mr. Fan Wing Ting (*Chairman*)
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

CORPORATE INFORMATION

Remuneration Committee

Mr. Yu Chun Kau (*Chairman*)
Ms. Chen Xingyi
Mr. Cheung Chun Yue, Anthony

**Principal share registrar and transfer
office in the Cayman Islands**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

**The Hongkong and Shanghai Banking
Corporation Limited**
639 Avenida Da Praia Grande
Macau

Bank of China (Hong Kong) Limited
No.21 Ma Tau Wai Road
Hung Hom
Hong Kong

China Merchants Bank Co., Limited
City Sunshine Garden
Tairan Ninth Road, Futian District
Shenzhen
China

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan, in connection with the Global Offering. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market data providers, communications with various government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering (excluding Frost & Sullivan in respect of the F&S Report and the information stated therein) or their respective directors, advisors and affiliates has independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon in making, or refraining from making, any investment decisions.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to analyse and report on the current states of and forecasts for the apparel retail market in Greater China. We have agreed to pay a fee of HKD760,000 for the preparation of the F&S Report, which we believe reflects market rates for reports of this type. Frost & Sullivan is an independent global market research and consulting firm founded in 1961 and based in the United States. It offers industry research and market strategies and provides growth consulting and corporate training.

The F&S Report includes both historical and forecast information on apparel retail market in Greater China. To prepare the F&S Report, Frost & Sullivan undertook both primary and secondary independent research through various resources within apparel retail market in Greater China. Primary research includes interviewing industry insiders, competitors, downstream customers and recognised third-party industry associations. Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. Frost & Sullivan has adopted the following primary assumptions while compiling and preparing the F&S Report: (i) the social, economic and political conditions in Greater China will remain stable during the forecast period; (ii) government policies on apparel retail market in Greater China will remain unchanged during the forecast period. Frost & Sullivan has also obtained the figures for the estimated total market size from historical data analysis plotted against the macroeconomic data as well as the industry key drivers. Our Directors confirm that, after making reasonable enquiries, there have not been any material adverse changes to the market information set out in the F&S Report since the date of such report which may qualify, contradict or have an impact on the information contained in this section.

ANALYSIS OF GREATER CHINA'S APPAREL RETAIL MARKET

Definition and Classification of Greater China's Apparel Retail Market

Greater China includes Mainland China, Macau, Hong Kong and Taiwan. Greater China's apparel retail market can be classified into men's wear, women's wear, children's wear and others based on the type of clothes. Generally, men's wear is more about tailoring and comfort; women's wear has higher requirements on the style to meet the characteristics of women's pursuit of fashion while children's wear requires fabrics with higher quality and security.

In order to establish the good brand images and attract the target customers with different levels of consumption powers, apparel brand owners will price or provide recommended prices to their distributors or retailers to price their brand products in a certain range according to the brand positioning. Based on the respective price range of different brands, apparel market can be categorised into three segments: high-end, mid-end, and mass markets.

Since different types of apparel product have different pricing standards, different price ranges are applied to categorize different types of products, such as winter tops and bottoms, summer tops and bottoms, shoes. The winter tops and bottoms refer to the clothing that wears in cold weather, including coats, down jackets, knitwear, wool or cashmere sweaters and wool trousers, etc. The summer tops and bottoms refer to the clothing that wears in hot weather, including T-shirts, short sleeve shirts, linen pants, shorts, and short dresses, etc.

INDUSTRY OVERVIEW

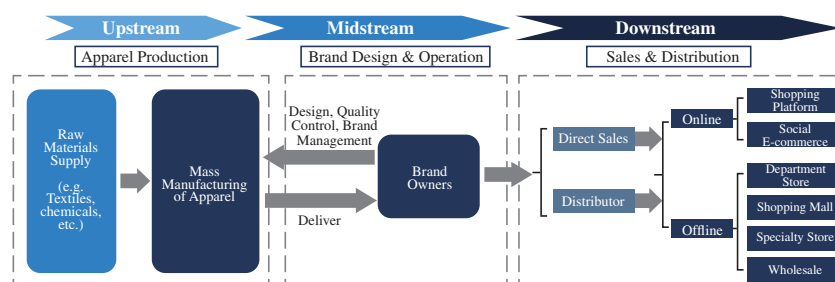
Classification of Market Segments by Price Range, Greater China

Market Segments	Price Range				Shoes
	Winter Tops	Winter Bottoms	Summer Tops	Summer Bottoms	
High-end	Above HKD2,400		Above HKD1,200		Above HKD1,800
Mid-end	Between HKD800 and HKD2,400		Between HKD400 and HKD1,200		Between HKD500 and HKD1,800
Mass	Below HKD800		Below HKD400		Below HKD500

Industry Value Chain of Apparel Retail Industry

The value chain of apparel retail industry in Greater China is mainly consisted of apparel manufacturers (in the upstream), brand owners (in the midstream) as well as distributors and retailers (in the downstream). In the downstream apparel retail end, brand owners could adopt the direct sales model to and operate online and offline sales channels by themselves, or establish relationship with distributors or retailers to help them with distribution of their apparel products.

Value Chain of Apparel Retail Industry



Source: Frost & Sullivan

Analysis of Business Models of Apparel Industry in Greater China

The major business model of apparel distribution in Greater China includes traditional model, commission model, cooperation model and franchise model. International apparel brand owners usually enter Greater China market through local distributors with strong market influences and good reputation. Local distributors have established distribution network, management team and operation skills, as well as insights of local customer preference, which could help international apparel brand owners enter the targeted markets smoothly. Our Group has adopted traditional model, commission model and cooperation model. It is the industry norm for the brand owners or their manufacturers to enter into long term supply agreements for five year or more than five year with distributors.

Traditional Model. Distributors generally obtain the ownership of brand apparel products from brand owners through wholesale, and sell them to end consumers in retail.

Commission Model. Distributors sell apparel products on behalf of the brand owners under the constraints of certain contracts and charge a commission fee or management fee on such services.

Cooperation Model. Brand owners cooperate with the distributors to establish a joint venture company, and this company carries out the production and/or sales of apparel products.

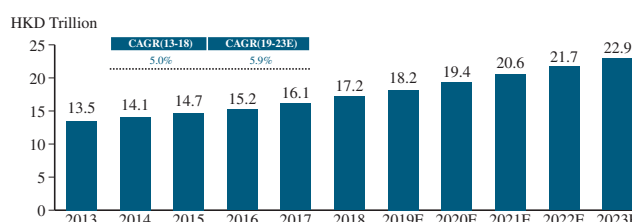
Franchise Model. Brand owners franchise intangible assets (apparel brands) to distributors and obtain licensing fees or franchise fees from them. The distributors organize the production of apparel products and sell them to end consumer.

Global Market Size of Apparel Retail Market

Driven by the fast development of apparel retail market in Asia Pacific, North America, Middle East and Africa, the total sales value of the global apparel retail market was growing at a CAGR of 5.0% from 2013 to 2018, increasing from HKD13.5 trillion in 2013 to HKD17.2 trillion in 2018. It is expected that the developing countries, such as China and African countries, will continuously drive the development of the global apparel retail market. As a result, the global apparel retail sales value is expected to further grow to HKD22.9 trillion in 2023, indicating a CAGR of 5.9% during the period of 2019 and 2023.

INDUSTRY OVERVIEW

Total Sales Value of Apparel Retail Market, the Globe, 2013–2023E



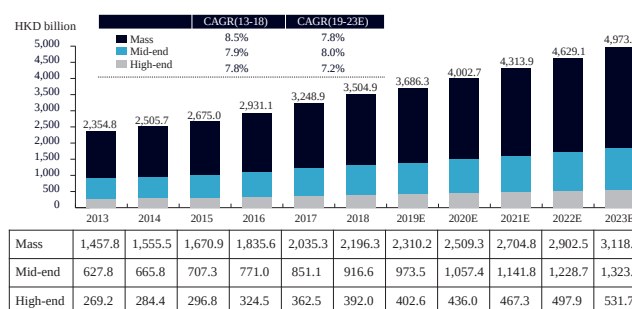
Source: Frost & Sullivan

Greater China and the U.S. are the two largest apparel retail markets in the world. In 2018, Greater China ranked the first with a market share of 20.4%, followed by the U.S. with a market share of 20.0%, in terms of retail sales value. Comparing with Greater China and the U.S., the apparel retail markets in the UK and Germany were much smaller, indicating the market shares of 4.0% and 4.5% respectively. Those four countries together contributed around 50% of the global apparel retail market. From 2019 to 2023, it is estimated that Greater China's market share will keep rising and reach 21.7% by 2023. However, the market shares of the U.S., the UK and Germany are expected to decrease slightly to 19.3%, 3.9% and 4.2% respectively by 2023.

Market Size and Breakdown of Greater China's Apparel Retail Market

Mass apparel markets take around 62.7% market share in the Greater China in 2018. The sales values of mass-end apparel markets increased from HKD1,457.8 billion in 2013 to HKD2,196.3 billion in 2018, with a CAGR of 8.5%. It is expected to further increase to HKD3,118.1 billion by 2023, with a CAGR of 7.8%. As for mid-end and high-end apparel markets, the sales values are expected to increase to HKD1,323.3 billion and HKD531.7 billion in 2023 respectively, with a CAGR of 8.0% and 7.2%.

Total Sales Value of Apparel Retail Market (by Grades), Greater China, 2013–2023E



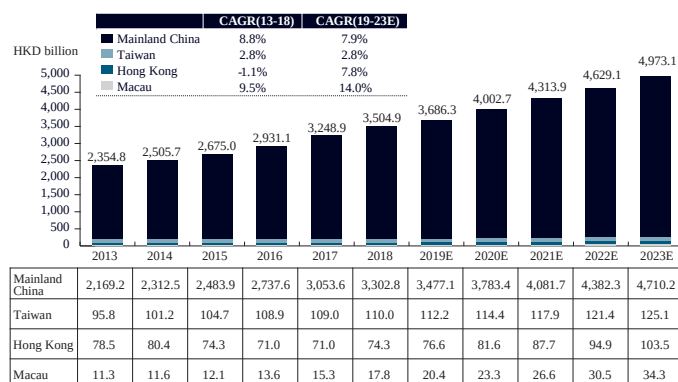
Source: Frost & Sullivan

The sales value of apparel retail market in Mainland China, Taiwan, Hong Kong and Macau raised from HKD2,169.2 billion, HKD95.8 billion, HKD78.5 billion and HKD11.3 billion respectively in 2013 to HKD3,302.8 billion, HKD110.0 billion, HKD74.3 billion, HKD17.8 billion respectively in 2018, representing the CAGR of 8.8%, 2.8%, -1.1% and 9.5% respectively from 2013 to 2018.

In the forecast period, Hong Kong's market is expected to be affected by the social unrest and protest that started in June 2019 and yet to come to stoppage as at the Latest Practicable Date; or by the consequence thereof, and Hong Kong economy growth is therefore expected to slow down. Hong Kong government and the PRC central governments keep making every effort to stabilize local society and economy. With the continuous efforts made by every party and strong support from central government, the turmoil situation is expected to be under control and Hong Kong is expected to resume its socio-political stability, leading to the gradual recovery of apparel retail market in Hong Kong in near future. Driven by the future tourism industry recovery in Macau and Hong Kong, it is expected that the sales value of apparel retail market in Macau and Hong Kong will grow at the CAGR of 14.0% and 7.8% respectively, reaching HKD34.3 billion and HKD103.5 billion by 2023. Meanwhile, Mainland China will also keep the increase at a CAGR of 7.9%, but Taiwan will be relatively stable with a CAGR of 2.8%.

INDUSTRY OVERVIEW

Breakdown of Total Sales Value of Apparel Retail Market by Regions, Greater China, 2013–2023E

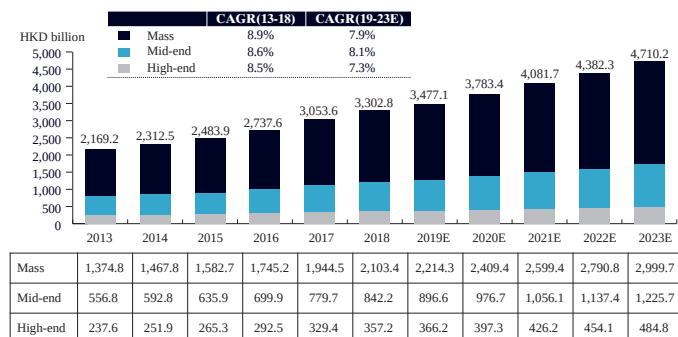


Source: Frost & Sullivan

In Mainland China, sales value of mass-end apparel markets, taking around 63.7% of the total market share, increased from HKD1,374.8 billion in 2013 to HKD2,103.4 billion in 2018, with a CAGR of 8.9%. It is further anticipated to increase to HKD2,999.7 billion by 2023, at a CAGR of 7.9% from 2019 to 2023.

Sales value of mid-end and high-end apparel market increased to HKD842.2 billion and HKD357.2 billion in 2018 with a CAGR of 8.6% and 8.5% covering 2013 to 2018 respectively. With the continuous consumption upgrade, Chinese citizens are purchasing more mid-end and high-end apparels, and sales value of mid-end and high-end apparel market is expected to grow to HKD1,225.7 billion and HKD484.8 billion by 2023, with CAGR of 8.1% and 7.3% from 2019 to 2023 respectively.

Total Sales Value of Apparel Retail Market (by Grades), Mainland China, 2013–2023E



Source: Frost & Sullivan

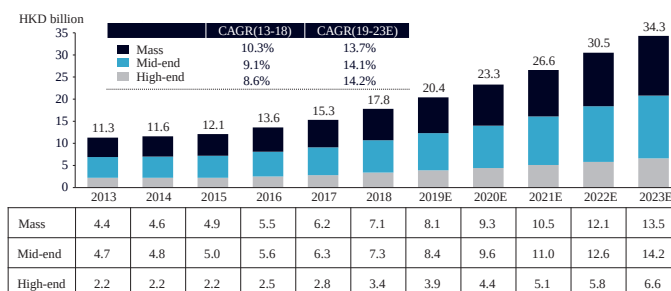
The sales value of apparel retail market in Macau raised from HKD11.3 billion in 2013 to HKD17.8 billion respectively in 2018, representing the CAGR of 9.5% from 2013 to 2018. In the forecast period, driven by the prosperity of tourism industry in Macau and favorable regional development policy (e.g. *The Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area*, 《粵港澳大灣區發展規劃綱要》) to boost Macau's economy, it is expected that the sales value of apparel retail market in Macau will grow rapidly at the CAGR of 14.0% from 2019 to 2023, reaching HKD34.3 billion by 2023.

In Macau, sales value of mass apparel market increased from HKD4.4 billion in 2013 to HKD7.1 billion in 2018, with a CAGR of 10.3%. Sales value of mid-end and high-end apparel markets increased from HKD4.7 billion and HKD2.2 billion in 2013 to HKD7.3 billion and HKD3.4 billion in 2018, representing a CAGR of 9.1% and 8.6% respectively. In future, driven by the tourism industry and relevant favorable policy Macau is expected to witness a rapid growth in sales value of apparel market due to the above-mentioned factors. Sales value of mid-end and high-end apparel markets is forecasted to increase to HKD14.2 billion and HKD6.6 billion in 2023, at CAGR of 14.1% and 14.2% from 2019 to 2023 respectively. Sales value of mass apparel markets is expected to increase to HKD13.5 billion in 2023, representing the CAGR of 13.7%. The decrease in average spending per visitor recorded in Macau for the seven months ended 31 July 2019 was

INDUSTRY OVERVIEW

mainly attributed to the rate of increase in the number of same-day visitors who normally spend less, which have outweighed the rate of increase in the number of overnight visitors who normally spend more during their stay in Macau. The number of same-day visitors to Macau had increased by 30.6% for the first three quarters in 2019 as compared to the same period in 2018. On the other hand, the total spending of the same-day visitors in Macau for the first three quarters in 2019 was approximately MOP 10,447 million, representing an increase of 4.6% as compared to the same period in 2018 whereas the total spending of the overnight visitors in Macau for the first three quarters in 2019 was approximately MOP 37,387 million, representing a decrease of 9.4% as compared to the same period in 2018. In the coming years, the average spending per visitor is expected to be stable with the improvement of retailing, accommodation, food and beverage industries, and relatively stable structure of visitors.

Total Sales Value of Apparel Retail Market by Types, Macau, 2013–2023E



Source: Frost & Sullivan

Market Drivers of Mainland China's Apparel Retail Market

Increase in Disposable Income. The overall increase of disposable income leads to the continuous improvement on people's living standard and consumption upgrade, especially in Mainland China. Disposable income per capita for Mainland China residents reaches HKD33.5 thousand in 2018, increasing rapidly from HKD21.8 thousand in 2013 at a CAGR of around 9%. Nowadays, more people are seeking to express their individual and lifestyle through fashion, which could be better satisfied by the mid-end and high-end apparel markets than the mass market.

Prosperity of E-commerce Business. Prosperity of E-commerce in Mainland China has opened a new sales channel for apparel retailing industry. The popular business model combining online sales channel and offline stores facilitates consumers with better shopping experiences and enables them to buy domestic and international products conveniently.

Increasing Health Awareness. In modern life, people in Mainland China are paying more and more attention on healthy life-style, which resulted in the increasing number of people participating in sports, body training and exercises to keep fit and stay healthy. For Instance, in Mainland China, the number of population who often participate in sports exercises is expected to grow to 500 million in 2025 according to the (Acceleration of Sports Industry Development and Promote Sports Consumption, 《國務院關於加快發展體育產業促進體育消費的若干意見》 issued in 2014), and according the 13rd FYP of Sports Industry Development (《體育發展“十三五”規劃》), total output of sports industry would exceed RMB3.0 trillion by 2020, increasing from RMB1.4 trillion in 2014. The increasing popularities of sports in Mainland China further fuels the development of sportswear athleisure wear and sports fashion retail sales market. Professional sportsmen are looking for sportswear brand with superior functionality and features; whilst for athleisure wear or sports fashions, are providing people with cosy and comfortable dressing and meanwhile demonstrating people's positive attitude towards healthy life.

Market Drivers of Macau's Apparel Retail Market

Rapid Development of Tourism Industry. The number of tourists in Macau grew from 29.3 million in 2013 to 34.5 million in 2018, with a CAGR of 3.3%. Going onwards, the number is expected to reach 47.9 million by 2023, registering a CAGR of 6.9% during 2019 to 2023. The increasing spending from tourists are deemed as a crucial driver to regional economy development and apparel retailing industry growth. Furthermore, the regional preferential tariff treatment in Macau has created ideal shopping heavens for tourists, which, consequentially, attracts large amount of tourists to buy mid-end and high-end apparels. It is estimated that in Macau, retail sales value contributed by tourists takes around 90% of the total sales value, indicating the importance of tourism industry development to Macau's local retail industry.

INDUSTRY OVERVIEW

Well Developed Retail Industry. Macau has a well-developed retail industry and supportive facilities. The sales value of Macau's retailing industry increased from MOP58.8 billion in 2016 to MOP76.8 billion in 2018 at a CAGR of around 14%. Meanwhile, leveraging on Macau's gaming industry, shopping malls and specialty stores located in casinos can take advantage of the well-established facilities inside casinos, and further stimulate their desire on shopping mid-end and high-end apparels. The unique and highly developed sales channel (i.e. shopping malls in casinos) is advantageous to the further growth of Macau's apparel market.

Favorable Policies. The continuous development of Macau's tourism industry has been encouraged by the central government of the PRC. As pointed out in The Development Plan For Guangdong-Hong Kong-Macau Greater Bay Area, 《粵港澳大灣區發展規劃綱要》, the central government of the PRC supports the development of Macau to be a world-class tourism and leisure hub, as well as to form tourism cooperation alliance in Macau to further explore and share tourism resources in whole Greater Bay Area. Therefore, Macau's retail industries inclusive of apparel retail market will be able to enjoy the synergies and grow further.

Market Drivers of Hong Kong's Apparel Retail Market

Diversified Pursuit of Fashion. The openness of Hong Kong market has been welcoming consumers and tourists from all over the world. Apparel retail market in Hong Kong needs to offer products which can satisfy diversified fashion taste and pursuits. For instance, consumers in Hong Kong are expecting apparels to satisfy their pursuits on fashion tastes, social status, personal characteristics, functionalities and occasions, etc. The continuously emerging and diversified preferences will further stimulate people's spending on apparels, especially for mid-end and high-end apparel, which are typically perceived to satisfy such needs in better way by emphasizing on product qualities and delivering premium values to consumers.

Higher Brand Awareness. Hong Kong consumers have high brand awareness. Branded mid-end and high-end apparel products are perceived as those with superior qualities, broader market recognition, fashion trend leading, and even specific social-cultural implications. In Hong Kong, where people has been exposed to international culture for long time, international brands in mid-end and high-end apparel markets are normally preferred among consumers.

Development Trends of Greater China's Apparel Retail Market

Increasing Market Segmentations. Facing the continuous diversifications on consumers' preferences, rising demand on personalization and rapid change in fashion trends, apparel retail market in Greater China is being segmented from various dimensions, such as genders, ages, occasions, styles, and functions. Mid-end and high-end apparel will be more focusing on product design and customization in order to differentiate themselves and stand out in the market. As such, the increasing apparel retail market segmentations are expected.

Multi-brand Operations. Increasing apparel brand owners and distributors in Greater China are implementing multi-brand market strategies, so as to reduce the risk from the over-reliance on one single brand and meanwhile to satisfy consumers' requirements as much as possible. One single brand apparel is typically with limited design and defined style, which only target at a particular group of customers. Therefore, brand owners and distributors tend to sell multiple brands simultaneously, with different grades of apparels (i.e. mass, mid-end, and high-end) offered to target different groups of customers.

Development Trends of Mainland China's Apparel Retail Market

Integration of "Internet+" Concept. The integration of "Internet+" concept into apparel retail industry is an inevitable development trend in Mainland China. The online retail market revenue in Mainland China grow to around HKD12 trillion in 2018 with CAGR of around 40% during 2013 to 2018. By combining online and offline distribution channels, apparel brand owners and distributors could utilize technologies such as big data and cloud computing to better serve customers based on their fashion tastes, price sensitivity, shopping preferences, etc., and further based on which, to launch trendy apparel series and adjust marketing strategy at a timely pace. As for offline stores, Internet-connected devices such as AI shopping guide and 3D fitting mirrors can be introduced, to facilitate consumers with better shopping experiences and save manpower at the same time. Mid-end and high-end apparel brand owners are willing to incorporate the "Internet+" concept into their business, considering the overall benefits brought by such technologies.

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Development Trends of Macau's Apparel Retail Market

Growing Consumption on Premium Apparels. Macau has an open economy with well-developed tourism and gaming industries, and typically attracts consumers with high level of income and wealth from all over the world. Such group of people have high level of purchase power and are willing to spend, benefiting the market growth of mid-end and high-end apparel. As more infrastructure, theme park and resort destinations are expected to be completed in Macau and the nearby Hengqin Island in the next five years, Macau is expected to be developed into an all-inclusive resort destination. As such, non-gaming amenities such as retail, conventions and entertainment offerings that are complementary to each other and to the gaming facilities in Macau would be an integral component of future development in Macau. Furthermore, compared with Mainland China, local residents in Macau are enjoying a higher income level and are living in multi-cultural society, and therefore tend to purchase those mid-end and high-end apparel with international brands. As such, retail sales of mid-end and high-end apparel are expected to further grow fueled by robust market demand and consumers' consumption preferences.

Development Trends of Hong Kong's Apparel Retail Market

World-leading apparel fashion hub. Hong Kong is to develop into a world-leading apparel fashion hub, owing to its multi-cultural influence, matured industrial chain and professional talents and the convergence of diversified fashion concepts of different nations and cultures in Hong Kong. This makes it easier for Hong Kong to lead the fashion trend in Greater China. Moreover, Hong Kong possesses a well-developed apparel retail industrial chain, including logistics, procurement, design, quality control, finance, etc., which creates a sound business environment for apparel market. Lastly, Hong Kong enjoys a well-trained talent pool, and professionals and designers in Hong Kong are equipped with expertise in conducting apparel business and a sharpened sense on fashion. All abovementioned factors will contribute to the development of Hong Kong's apparel retail market and launch of premium apparel. (e.g. mid-end and high-end apparel).

Challenges of Mainland China's Apparel Retail Market

Increasing Popularity of Online Shopping. The rapid development of e-commerce provides consumers with various choices and convenience to purchase apparel online, which, to certain extent, affects the offline apparel businesses, particularly the mass brand apparel retail market. As in mid-end and high-end apparel retail market, where consumers go for superior shopping experience and value-add services (e.g. clothes fitting, guiding and personalized consulting), offline shops and stores may satisfy customers' needs in a better way and therefore, the impact of e-commerce on offline mid-end and high-end apparel retail market is limited.

Fast Changing Fashion Trends. Nowadays, with the influence of Internet, customers would be easily affected by the fashion element from key opinion leaders on social media or celebrities, and they also tend to have more individual ideas when purchasing apparel. As the customers' tastes and the fashion elements are changing quickly, it is a great challenge for both brand owners and apparel distributors to continuously update their fashion sense to select popular design. If the brand owners or distributors could not catch up on the latest fashion trends, they could face loss of customers. In addition, the fast changing fashion trends require a shorter update cycle for both brand owners and distributors, which causes challenge for supply chain management as well as brings pressure in terms of inventory management and capital turnover.

Challenges of Macau's Apparel Retail Market

Limited Geographic Area. Macau has a relatively small geographical area coverage compared with other regions in Greater China, and as Macau's apparel retail market is highly relied on tourism industry, most of shopping areas are located at or surrounding central business district areas and casinos to attract more customers. Therefore, there are limited areas that could be developed to become large shopping zones in the future and apparel retailers may also encounter fierce competition for limited resources (e.g. superior shop locations).

Challenges of Hong Kong's Apparel Retail Market

Disturbance Caused by Social-political Issues. Hong Kong's social unrest and protest, which broke out in June 2019, has created great social-political uncertainties to local economy as well as negative impact on tourism and retail industries. The number of tourists traveling to Hong Kong plunged in June 2019, which severely affects Hong Kong's total retail sales, inclusive of apparel retail. Consequently, tourists may switch to go to Macau as an alternative, whereby the number of

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tourists to Macau has increased in July 2019. Such increment will be in favour of Macau's retail industry growth including apparel retail.

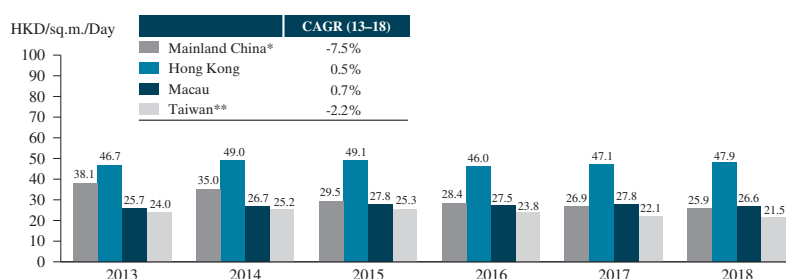
Cost Analysis of Greater China's Apparel Retail Market

Affecting by the expansion of large commercial zone from downtown to suburb and the development of e-commerce, the average shop rental of commercial zone in Mainland China showed a declining trend, decreasing from HKD38.1 per square meter per day in 2013 to HKD25.9 per square meter per day in 2018. Similarly, the rental in Taiwan also decreased in the last few years. Due to the relatively mature and saturation market in Hong Kong and Macau, average rental in these two regions were relatively stable from 2013 to 2018.

In the future, average shop rentals of commercial zone in Mainland China and Taiwan are expected to keep the decreasing trends but with lower rates due to the integration of online and offline. On the other hand, average shop rentals in Hong Kong and Macau are expected to keep current level.

Major setting up costs of an apparel retail shop include rentals, initial inventory cost, decoration cost and labor cost. For the online apparel shop, major costs when setting up are from inventory and labor.

Average Shop Rental of Commercial Zone, Greater China, 2013–2018



* Mainland China: considering the rentals in 13 major cities of Mainland China including Shanghai, Beijing, Guangzhou and Shenzhen, etc.

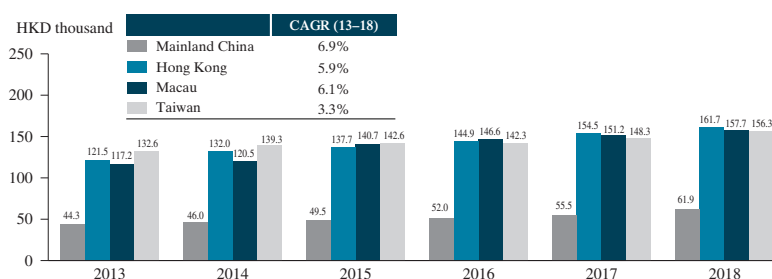
** Taiwan: mainly considering the rentals in Taipei, Kaohsiung and Taichung.

Source: Frost & Sullivan

Apparel retail market is part of the whole retail and wholesale industry. The salary of retail and wholesale industry in Mainland China is the lowest among the four regions. In Mainland China, the annual salary of employees in retail and wholesale industry increased from HKD44.3 thousand in 2013 to HKD61.9 thousand in 2018, with a CAGR of 6.9%. Meanwhile, the annual salary of employees in retail and wholesale industry in Hong Kong, Macau and Taiwan are HKD161.7 thousand, HKD157.7 thousand and HKD156.3 thousand in 2018 respectively.

With the stable economy development and inflation, it is estimated that the annual salary of employees in retail and wholesale industry in each of Mainland China, Hong Kong, Macau and Taiwan will keep the stable increase in the following years.

Average Annual Salary of Employees in Retail and Wholesale Industry, Greater China, 2013–2018



Source: NBS, Census and Statistics Department of Hong Kong, Statistics and Census Service of Macau, National Statistics of Taiwan, Frost & Sullivan

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COMPETITIVE LANDSCAPE OF GREATER CHINA'S APPAREL RETAIL MARKET

Competitive Landscape of Greater China's Apparel Retail Market

Greater China's apparel distributors could be divided into two categories: nationwide apparel distributors and regional apparel distributors.

Relying on nationwide distribution and retail networks, the nationwide apparel distributors usually will become the first choice when an international apparel distributor enter into the China market. Those large nationwide apparel distributors are able to cover the whole Greater China Region, and have the advantages of large distribution or retailers network and rich experience. Additionally, the nationwide apparel distributors or retailers will usually have advanced brand management teams to manage the brand images. Furthermore, due to the abundant brand portfolio of the nationwide apparel distributors, they are able to have their own select shops or multi-brand retail stores. There are plenty of regional apparel distributors and usually have smaller scale compared to nationwide apparel distributors. They could also be the secondary distributors of nationwide apparel distributors due to the plenty of existing local sales channels they have. Moreover, the regional apparel distributors usually only focus on the sales part and seldom participate in brand management.

Additionally, the apparel distribution market in Hong Kong is also fragmented. There are around ten thousand apparel retailers or wholesalers and most of them are small-scale distributors.

With the development of internet and the convenience of online shopping, the online apparel platforms are booming in the market, which results in an increasing number of online apparel distributors. Online shopping platforms enable distributors to sell their products national wide but it cannot provide in-depth interactive features, such as feeling and trying on the clothes. As these features are critical for consumers to make a decision when purchasing apparel suitable for themselves, especially when shopping high-end apparel brands. Therefore, offline shopping store will still be an important channel for purchasing apparels, and offline apparel distributors will remain highly competitive to online apparel distributors, especially at the high-end apparel sector.

Ranking of Apparel Distributors in Macau and Mainland China

The apparel retail market in Macau is fragmented and diversified. The top 5 apparel distributors in terms of retail sales values only occupied 11.5% of the total market. The Group ranked as the largest apparel distributors in Macau with HKD774.3 million in 2018 and 4.3% market share.

Market Share of Top 5 Apparel Distributors in Terms of Retail Sales Value, Macau, 2018



Source: Frost & Sullivan

Company A, headquartered in Macau, is a premier international luxury brand retailer in Greater China. The brand portfolio includes over twenty globally-renowned luxury brands and it has one of the leading European luxury retail networks in the second and third tier cities of China and Macau.

Company B, whose parent company is a listed company in Hong Kong, is a leader in brand management, retail and distribution in Greater China and a leading sports retailer in Hong Kong and Macau, with a portfolio of products including casual footwear, outdoor and contemporary lifestyle.

Company C, founded in 1992, is China's first fashion, beauty and lifestyle brand management and distribution company with unparalleled coverage of market and channels. It provides multiple partnership models including joint ventures, wholesale distribution and management services. Its business coverage includes more than 40 cities in Greater China and Southeast Asia.

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Company D, a listed company in Hong Kong, has a unique multi-brand, multi-layer business model. It covers many well-known international fashion brands and develops some own brands as well.

Apparel retail market in Mainland China is extremely fragmented, and currently there are over 2,000 apparel distributors in Mainland China. In 2018, the top five players only occupied 2.9% of the total market in terms of retail sales values, and the Group took a market share of around 0.02%.

Entry Barriers of Greater China's High-end Apparel Retail Market

Barrier of Establishing Sales Networks. The comprehensive and widespread sales distribution or retail networks are one of the most essential recourses for apparel retail distributors. Establishing sales networks requires the apparel distributors to invest massive capital initially, such as decoration costs, rental costs, and labor costs, to setting up widespread retail stores. Additionally, enough capital is also needed to maintain the operation of sales networks.

However, establishing advanced sales distribution networks does not only require huge capital investment for setting up the retail store, payment of rental and purchase of inventories but also vast amount of time and effort. The apparel distributor shall also understand different market preferences, apparel retail distributors have already had good relationships with those commercial property owners (including shopping malls, etc.) which are more likely to offer them better locations and lower rental prices, bringing them competitive advantages. The location of the retail store is especially important to those high-end apparel brands which show and express the positioning and idea of those brands. If the apparel distributor cannot obtain stores with good locations in the core business area, it may be unable to maintain a relationship with high-end brands. Therefore, it would be difficult for new entrants to build up established sales distribution networks within a short period of time.

In Macau, it is also important for the apparel distributor to have a good relationship with landlords of the casino, especially for the high-end apparel distributors. As the only legalized region to conduct gaming business in China so far, casinos take a significant position in Macau's economy and attract a huge number of tourists who are one of the main high-end apparel consumers in Macau. Therefore, without good relationships with landlords of the casino, the new entrant is hardly to enter the Macau apparel market.

Barrier of Retail Sales Experience. According to different apparel brand styles and positioning, the apparel distributors need to identify a suitable regional market with growth potential and develop an effective promotion plan for the apparel brand. In order to achieve this, apparel distributors need to be familiar with the selected market and customers which require them to have sufficient retail sales experience. High-end apparel brand distributors shall have a comprehensive understanding of the market condition and rich experience in multiple regions since the brand value is one of the most critical assets to these brands. As a result, the apparel brand owners are more willing to cooperate with those apparel distributors with good track records and successful cases. Therefore, new entrants, who are lack of retail sales experience and track records, would find it hard to enter into this market and it will be more difficult to win the trust of high-end apparel brands.

Since the tourism industry is quite important to the Macau economy, the successful apparel distributor in Macau needs to understand preferences and shopping habits of tourists, which relies on the retail sales experience of the distributors in this market. The new entrant may be unable to accumulate rich experience in a short time.

Barrier of Supply Chain Management Capability. The apparel retail market is heavily influenced by seasonality. This characteristic of the market makes a high requirement on the supply chain management capability of apparel distributors. This capability includes a comprehensive understanding of the market, forecast of sales, efficient logistics, coordinating between different departments, etc. It will have higher requirements on apparel distributor if their sale network covering different regions such as Mainland China, Hong Kong, Macau, and Taiwan. However, for a new entrant, it would be difficult to have a strong supply chain management capability in a short time.

The supply chain management capability is also important in Macau apparel market. Since the tourism industry has seasonality, the apparel distributors in Macau need to adjust their inventory and displayed clothing according to the seasonality, which may raise a higher requirement on the supply chain management capability to the distributors.

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This section sets out an overview of material laws and regulations applicable to our Group's business in Macau, PRC, Hong Kong and Taiwan.

LAWS AND REGULATIONS OF MACAU

Laws and regulations regarding sale of clothing and accessories

There are currently no specific laws and regulations governing this matter whereby such activity is subject to the general rules of the Macau Civil Code and the Macau Commercial Code.

Laws and regulations regarding liability on the sale goods

There are currently no specific laws and regulations governing this matter whereby such activity is subject to the general rules of the Macau Civil Code and the Macau Commercial Code.

Employment Regulations

The 2008 Macau Labour Relations Law establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Macau Labour Affairs Bureau.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorizations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees.

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Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), the Group must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

Intellectual Property Regulations

Decree Law no. 97/99/M establishes the Legal Regime of Intellectual Property, which defines intellectual property as property generated through the process of intellectual activities. The aforesaid regime, is applicable to i) all Macau residents; ii) all individuals domiciled in Macau and incorporated under Macau laws; iii) any individual or company who is a national of the countries or territories forming part of the World Trade Organization (WTO), and the International Union for the Protection of Industrial Property, in Paris Convention of March 20, 1883 and its revisions, without dependence on condition of domicile or establishment, except for the special provisions of jurisdiction and procedure (cfr. Article 2 of Legal Regime of Industrial Property).

The industrial property right shall be granted to the person who first submits the application with all the documents required for that purpose, according to the presentation priority principle stated in Article 15 of the Legal Regime of Industrial Property.

Under current Macau Law, it is not stipulated that trademarks must be registered before being used in their respective products or services. However, the user of an unregistered trademark does not have the right to exclusive use and has no right to prevent third parties from using it.

If a trademark is registered under the Legal Regime of Industrial Property, its owner has the right to prevent third parties, without their consent, from using their trademark or a similar and confusing mark on products or services related to registration, or similar products or services.

Environmental Protection Regulations

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 (the Macau Environmental Law – hereinafter “MEL”), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the MEL prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the MEL prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question.

Taxation in Macau

Macau practices an independent taxation system and, taking the low tax policy previously pursued in Macau as reference, enacts on its own laws and regulations concerning types of taxes, tax rates, tax reductions and exemptions, allowances and expenditures, and other matters of taxation (acc. Article 106 of the Basic Law of Macau).

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There are currently no Double Taxation treaties or equivalent agreements with Hong Kong in force in Macau that are or could potentially be applicable to the Group's activity. Hence, in relation to income generated by the Group's activity in Macau, Macau authorities will apply the relevant tax laws and regulations thereto, regardless of whether such income has been, will be or may be taxed in any other jurisdictions, including Hong Kong.

There is currently a Treaty between the Macau and Mainland China to Avoid Double Taxation and Prevent Tax Evasion in relation to Income Taxes (Notice of the CE no. 11/2004, dated 28 April 2004), which may be applicable to the Group's activity regarding the Professional Tax, the Corporate Profits Tax, the Stamp Duty and the Urban Property Tax. The referred Treaty foresees, in general, that the profits from an enterprise may only be taxed in the jurisdiction the enterprise has its registered address or its effective management centre.

Macau follows a calendar fiscal year and its taxation system categorizes different types of taxes into direct and indirect taxes which are levied on income as well as on assets and wealth. The most relevant taxes, both administered by the Financial Services Bureau, for the Group's activity in Macau are Industrial Contribution (Law no. 15/77/M, dated 31 December 1977), which corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau and Corporate Profits Tax (Law no. 21/78/M, dated 9 September 1978), which corresponds to a profit tax on earnings from business activities.

Infringements to tax statutes may result in the application of sanctions or penalties. While there isn't a unified penalty policy, i.e. there isn't a unified statute that lists all infringements to tax laws and their respective penalties (meaning that the individual tax regulations must be carefully and independently analysed), generally speaking, infringements include not declaring income, inaccuracies and omissions in tax returns, refusal to submit requested documents and not cooperating with the tax authorities, concealment, destruction, falsification and vitiation of documents, or non-payment of taxes within the stipulated deadlines. Penalties are in the form of fines which, in general, can range from MOP50 to MOP100,000 and the payment of such fines does not discharge the taxpayer from the payment of the related taxes, interest in arrears or the criminal prosecution that may take place if such criminal prosecution is provided for under the relevant taxation laws.

As a guarantee to the taxpayers, the regulations for each type of tax contain detailed procedures for the latter to file complaints, hierarchical appeals and/or judicial appeals when they consider themselves adversely affected by the decisions or practices of the Financial Services Bureau. If challenged, decisions of the Financial Services Bureau in relation to taxation will, in general, only become final once all the applicable levels of appeal have been exhausted and the aggrieved taxpayer will be entitled to present their case to the relevant authorities (non-judicial or judicial as the case may be) at the appropriate moment.

Industrial Contribution

The Industrial Contribution is regulated by Law no. 15/77/M, and corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau.

Article 1 of the Industrial Tax Regulation states that Industrial Contribution, in the Territory of Macau, is imposed, accounted, calculated and collected according to the terms stated in the Industrial Tax Regulation. Article 2, §1 of the same Regulation determines that all persons, individual or corporate, who develop any activity that is commercial or industrial in nature are subject to Industrial Contribution.

According to Article 7 of the Industrial Tax Regulation, for entities (individual or corporate) that have a permanent establishment in Macau, the process of imposition, calculation

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and collection of Industrial Contribution relating to activities developed in Macau must follow certain steps, namely (a) declaration by the taxpayer, (b) initial classification, (c) provisional calculation and collection, (d) payment of tax and start of the activity, (e) report provided by inspection agents, (f) definite classification, and (g) confirmation of provisional calculation, cancellation or additional calculation. This procedure starts with the submission by the interested entity to the Macau Financial Services Bureau of a completed and notarized M1 form for Industrial Contribution at least 30 days before the probable date of commencement of the respective activity.

Entities that do not have permanent establishments in Macau are, generally, not subject to Industrial Contribution as they are not deemed to develop an ongoing activity in Macau. However, Article 9 of the Industrial Tax Regulation (聘用在澳門無固定店號的企業或公司) subjects such entities to registration in Macau in very specific and determined cases. In effect, paragraph §1 of Article 9 of the Industrial Tax Regulation states that whenever individuals residing in Macau or any entities with permanent establishment in Macau contract the provision of services or the development of activities, pursuant to §3 of Article 9, with enterprises or companies that do not have a permanent establishment in Macau, they must ensure, before any and each payment is made, that the beneficiary of such entity has registered for the purposes of Industrial Contribution. Paragraph §3 of Article 9 of the Industrial Tax Regulation determines that only the contracts that, regardless of form, respect to the following services or activities rendered or developed in Macau are comprised in the obligation of paragraph §1 of the same Article: (a) any construction works or prospection activities and research related thereto or (b) technical or scientific services, including mere consultancy or assistance.

Therefore, pursuant to the abovementioned Article 9, §1 and 3 of the Industrial Tax Regulation, entities that do not have permanent establishments in Macau and do not carry-on an ongoing commercial or industrial activity in Macau are only subject to Industrial Contribution and registration relating thereto in Macau if the activity they occasionally develop locally relates to construction works, prospection activities, research related thereto or technical or scientific services (including mere consultancy or assistance).

The penalties for non-compliance with the provisions of the Industrial Tax Regulation are as follows:

- a) Persons/entities developing and activity without registering for Industrial Contribution by submitting the M1 form for Industrial Contribution may be sanctioned with a fine between MOP200 and MOP100,000;
- b) Persons/entities that have submitted the M1 form for Industrial Contribution but commence their activity without paying the tax due may be sanctioned with a fine between MOP200 and MOP100,000;
- c) Persons/entities that in the M1 form for Industrial Contribution deliberately conceal the truth or omit any fact relevant to the classification of their activity may, without prejudice of the relevant criminal proceedings that may be started, be sanctioned with a fine between MOP200 and MOP100,000;
- d) If 60 days have passed after the specified period for payment of the tax, the taxpayer may be fined a maximum amount equal to half the tax payable;
- e) Local entities that do not comply with the obligation of ensuring, before any and each payment is made to an entity that does not have a permanent establishment in Macau and with whom a contract specified in Article 9, §3 of the Industrial Tax Regulation has been executed, that such entity has registered for the purposes of Industrial

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Contributions are jointly liable with the entities that do not have permanent establishments in Macau for the Industrial Contribution eventually due by such entity that does not have a permanent establishment in Macau. Furthermore, the amount paid according to the contract executed with such entity that does not have a permanent establishment in Macau will not be treated as a deductible expense for tax purposes of the local entities or, if they are exempted from the payment of Corporate Profits Tax, the local entities may be liable to pay a fine corresponding to 10% of that amount.

If a taxpayer considers that they have been aggrieved by a decision or act of the Macau Financial Services Bureau in relation to the provisions of the Industrial Tax Regulation, they may request that such decision or act be modified or revoked through an administrative complaint (in Chinese, “向原機關聲明異議”) filed within 15 days of the notice of the decision with the entity that made such a decision or act. The decision of the administrative complaint may be appealed to the Chief Executive of Macau (the “CE”) via a hierarchical appeal (in Chinese, “行政上訴”) to be filed within 2 months of the notice of the appealed decision. Alternatively (and concurrently), the taxpayer may file a judicial appeal in first instance with the Macau Administrative Court, within 45 days of the notice of the decision.

In conclusion, the Macau Industrial Contribution corresponds to an annual fixed amount due for the operation of industrial and commercial activities in Macau. Most industrial and commercial activities are charged an annual nominal amount between MOP150 and MOP500 and the payment thereof has been exempted on a yearly basis since 2002. Entities that do not have permanent establishments in Macau, but carry-on an ongoing commercial or industrial activity in Macau and/or which isolated activity in Macau is related to construction works, prospection activities, research related thereto or technical or scientific services, are generally subject to Industrial Contribution and registration relating thereto in Macau.

Corporate Profits Tax

Corporate Profits Tax is regulated by Law no. 21/78/M, dated 9 September 1978, which came into force on 1 January 1979, and corresponds to a profit tax on earnings from commercial or industrial activities.

Article 1 of the Corporate Profits Tax Regulation states that Corporate Profits Tax, in Macau, is imposed, accounted, calculated and collected according to the terms stated in the Corporate Profits Tax Regulation. Pursuant to Article 2 of the Corporate Profits Tax Regulation, taxpayers liable to pay Corporate Profits Tax are divided into two groups, A and B. A Group A taxpayer is an individual or corporation with complete and appropriate accounting records audited by a registered auditor or accountant in Macau that has applied for such status. Any other taxpayers whose registered capital is not more than MOP1,000,000 or does not, on average, have taxable profits for the three preceding years over MOP500,000 or reports their taxable profits by themselves (i.e. without auditing by a registered auditor or accountant in Macau) are considered Group B taxpayers.

Article 2 of the Corporate Profits Tax Regulation determines that Corporate Profits Tax is levied over the global revenue defined according to Article 3 of the Corporate Profits Tax Regulation that any individual or corporation, regardless of residency or head office, derive from Macau. Article 3, §2 of the Corporate Profits Tax Regulation determines that the global revenue of corporations corresponds to the annual net profits derived from carrying-on a commercial or industrial activity in Macau, calculated in accordance with the provisions of the said Regulation. Profits are defined under Article 20 of the Corporate Profits Tax Regulation as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau.

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If a foreign entity is engaged in commercial/industrial activities and/or rendering services in Macau, the resultant gain from such commercial/industrial activities and/or services rendered will be subject to Corporate Profits Tax in Macau (i.e. income will generally be regarded as arising in or derived from Macau if it is received in consideration of activities or services performed by the taxpayer in Macau). When the foreign entity is not habitually engaged or does not habitually carry-on a commercial or activity in Macau, the Macau Financial Services Bureau's current interpretation of Articles 2 and 3 of the Corporate Profits Tax Regulation and practice in Macau is that, except for those specific activities and services listed under Article 9, §1 and §3 of Article 9 of the Industrial Tax Regulation (as described above), entering into an isolated transaction in Macau would not constitute carrying-on commercial or industrial activity in Macau.

No definition is provided under Macau Law for "isolated transaction", nor is there a formal interpretation of such concept issued by Macau tax authorities, and whether or not an isolated transaction constitutes carrying-on commercial or industrial activity in Macau is analysed on a case-by-case basis. Generally, an isolated transaction can be considered as a unique or single taxable event that does not result from a reiterated practice of the potential taxpayer, i.e. one single contract entered into by a potential taxpayer for a single purpose related to its commercial activity that is not repeated by such potential taxpayer.

The non-subjection of the foreign entity to Corporate Profits Tax in Macau would be further underlined if the location where contracts are executed is not Macau, if the location where the obligations under the contracts are performed is not Macau, if the location where payments are made or received is not Macau and the foreign entity has no direct involvement in Macau.

According to Article 10, §1 of the Corporate Profits Tax Regulation, entities (individual or corporate) that in the preceding year have obtained profits in Macau as defined in Article 3 of the Corporate Profits Tax Regulation are required to submit a Corporate Profits Tax Form M/1 with the Macau Financial Services Bureau. Such annual tax return must be submitted by Group A taxpayers in the months of April, May or June and by Group B taxpayers in the months of February or March¹. A foreign entity's Corporate Profits Tax Form M/1 must be submitted by a lawful attorney and shall indicate, for tax purposes, an address in Macau, without which the tax return is considered as not having been duly submitted.

The taxable profit of Group A taxpayers reports to the balance revealed by the profit and loss accounts, drafted pursuant to acceptable accounting principles and shall consist in the difference between all profits or gains, irrespective of source, accrued in the financial year precedent to that in course, and the expenses or losses attributable to that same financial year. As described above, profits are defined under Article 20 of the Corporate Profits Tax Regulation as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau. Losses are defined under Article 21 of the Corporate Profits Tax Regulation as the costs or losses attributable to the operations which support the realization of taxable profits or gains and maintain productivity.

¹ It has been the local practice that the deadlines for the submission of tax returns are extended by one month (i.e. until the end of July for Group A taxpayers and until the end of April for Group B taxpayers). Nonetheless, until now this practice is not based on written or official extensions of the deadlines and, consequently, non compliance with the legally prescribed deadlines could result in the application of fines between MOP50 and MOP500. Until now, the application of such fines has been unheard of.

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The taxable profit of Group B taxpayers is determined by calculating the difference between the income and the expenditure of the taxpayer incurred in the preceding year, when it should be presumed that the first are higher than the latter, or by evidence-based means supported in all elements available to the tax authorities. It should be noted that under prevailing Macau tax law, there are no transfer pricing rules or anti-avoidance rules and, to the best of our knowledge, there are no precedent cases relating to transfer pricing issues or where the Macau Financial Services Bureau has challenged or claimed tax-avoidance in related-party transactions.

Taxable income is determined by the Head of the Department of Contributions and Duties of the Macau Financial Services Bureau or by an Evaluation Commission, respectively for Group A and Group B taxpayers, in respect of the tax returns filed, eventually corrected based on duly justified information provided by the inspection services or any other available elements. Macau tax authorities are legally allowed to analyze a taxpayer's tax returns, annual accounts and supporting documentation but the Macau Financial Services Bureau is only empowered to determine whether expenses claimed are accepted as tax-deductible or not, i.e., such power of analysis does not empower the Macau Tax authorities to challenge the validity of underlying supporting arrangements, but only whether the expenses arising therefrom are acceptable for tax deduction. In any case, any decision that determines a taxable income different than that resulting from the taxpayer's tax return must be justified by the tax authorities.

It is possible for Macau tax authorities to order an examination or audit of a Group A taxpayer's accounting records when there is an absence of insufficiency of information in the tax returns not clearly explained by the taxpayer or their accountants or auditors, or when despite the clarifications provided by the taxpayer or their accountants or auditors, the results of the financial year are not sufficiently justified. The examination or audit will be conducted, without any costs for the taxpayer, by employees of the Financial Services Bureau or, in their absence, by specially recognized experts nominated by the CE and the taxpayer's accountants or auditors responsible for the tax returns filed are entitled to be present at the examination/audit. If after the examination/audit it is still impossible to determine the taxable income or if there are justified doubts on whether the results of the accounting records correspond to the reality, Corporate Profits Tax will be levied on estimated profits (acc. Article 40 of the Corporate Profits Tax Regulation).

Pursuant to Article 57 of the Corporate Profits Tax Regulation, once determined, Corporate Profits Tax is paid in two equal instalments in September and November of each year, save if the tax due is not over MOP3,000, in which case it is paid in only one instalment. Pursuant to Article 59 of the Corporate Profits Tax Regulation, the non-payment or delayed payment of the tax due is subject to interest in arrears and to 3% interest for debts in the 60 days immediately following the payment deadline. After such 60 days the Macau Financial Services Bureau will advance to tax execution proceedings to seek payment of the unpaid tax. Furthermore, the non-payment of the first instalment also determines that the amount of the second instalment is immediately due.

The statute of limitations period is 5 assessment years from the relevant year of assessment for both Group A and Group B taxpayers. During this 5 year period, in case there is an omission in the calculation of the Corporate Profits Tax due or a factual or legal error is discovered resulting in damages to either the Exchequer or the taxpayer, the Macau Financial Services Bureau may correct the discrepancy through an additional calculation or cancellation if the amount is over MOP50 (acc. to Articles 54 and 55 of the Corporate Profits Tax Regulation).

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Among others, the penalties for non-compliance with the provisions of the Corporate Profits Tax Regulation are as follows:

- a) Non-submission, inaccuracy or omissions of tax returns and not providing clarifications when requested may be sanctioned with a fine between MOP100 and MOP10,000 in cases of negligence and with a fine between MOP1,000 and MOP20,000 in cases with intent (acc. Article 64, §1, §2 and §3 of the Corporate Profits Tax Regulation);
- b) If irregularities are found and/or the taxpayer and/or their accountants and auditors are reticent to provide clarifications in the context of an audit or examination to the taxpayer's accounting records, taxpayers may be sanctioned with a fine between MOP1,000 and MOP20,000 (acc. Article 64, §4 of the Corporate Profits Tax Regulation); and
- c) Refusal to exhibit accounting records or documents related thereto to the tax authorities, as well as their hiding, destruction, falsification or vitiation may be sanctioned with a fine between MOP1,000 and MOP20,000 for Group A taxpayers and between MOP500 and MOP10,000 for Group B taxpayers (acc. Article 65, §1 c) and §2 b) of the Corporate Profits Tax Regulation).

Corporate Profits Tax in Macau, as per Article 7 of the Corporate Profits Tax Regulation is levied at progressive rates between 3% and 12% with taxable profits up to MOP32,000 exempt from taxation, as follows:

Annual Taxable Income	Tax Rate
Up to MOP32,000	Exempt
In what exceeds and progressively:	
From MOP32,001 to MOP65,000	3%
From MOP65,001 to MOP100,000	5%
From MOP100,001 to MOP200,000	7%
From MOP200,001 to MOP300,000	9%
Above MOP300,000	12%

For several years, the amount exempted from taxation under Corporate Profits Tax in Macau has been increased by the annual Budget Laws. While there is nothing to indicate that this exemption will not continue to be a tax relief measure in future years, it is not guaranteed that it will be kept in future Budget Laws. For each of the Macau fiscal years comprised in the Track Record Period, the annual taxable income exempted from taxation was as follows:

Macau Fiscal Year	Exempt Amount
2016	MOP600,000
2017	MOP600,000
2018	MOP600,000

In conclusion, the Macau Corporate Profits Tax corresponds to a profit tax levied at progressive rates between 3% and 12% over the global revenue corresponding to the annual net profits derived from carrying-on a commercial or industrial activity in Macau that any individual or corporation, regardless of residency or head office, derive from Macau. Under the Macau Corporate Profits Tax Macau residents are taxed on worldwide income (profits) and non-Macau residents are taxed only on Macau-source income (profits).

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Import and Export trade

The import and export of goods in Macau is regulated by Law no. 7/2003, the Macau Foreign Trade Law. This Law establishes the general principles of external trade and the regime of entry, exit and passage of goods and other products from Macau. The entry and exit of goods is free of limitations, notwithstanding the specifications, foreseen in the Macau Foreign Trade Law, regarding some goods.

Only the individuals or companies established in Macau that make evidence of the settlement of their tax obligations (Consumption Tax or Industrial Tax) may carry out external commerce operations in Macau. The entry and exit of goods shall only be made through officially qualified customs borders and the supervision of the foreign trade operations carried out through the customs borders of the Macau SAR or by post shall be the Macau Customs Services' responsibility.

Under Macau Law, there are three types of external commerce operations: (i) export of goods; (ii) import of goods and (iii) transit of goods.

If the goods are not included in Table A (regarding the export of a limited number of goods) and Table B (regarding the import of a limited number of goods) attached to the Executive Order no. 487/2016, not only the respective export/import is not subject to the licensing regime, but also its transit can be carried out by a common external commerce operator other than a transit enterprise duly licensed. The activity carried out and the types of goods imported by the Group, i.e. retail department stores, men's and women's clothing and accessories retail, import and export trade are not included in the aforesaid Tables A and B, included in the Executive Order no. 487/2016, hence its foreign trade is free of limitations i.e. no licensing is necessary.

Notwithstanding this, the operations of external commerce are subject to Declaration of import/export of goods – when not included in the aforesaid Tables A and B – with value over MOP 5,000.

Any person who, through any means, imports or exports to the Macau SAR any goods, out of the appropriate places referred above, shall be punished with a prison sentence of up to one year, or with a fine of up to 200 days. In addition, the goods and objects that have served or were intended to serve the practice referred are seized and, in case of conviction, declared lost in favour of the Macau SAR. This crime is applicable to legal persons or entities.

Data privacy regulations

The processing of personal data in Macau is subject to the stipulations of Law no. 8/2005. Pursuant to this Law, the processing of personal data may only be carried out if the data subject has given their unequivocal consent, or if the processing is necessary to specific situations foreseen in such Law. In addition, any processing of personal data, shall comply with this Law, and is generally subject to notification to the Office for Personal Data Protection of Macau. The Law further forbids the processing of data deemed as sensitive, except for cases where the data subject gives their explicit consent and with previous authorization by the abovementioned office.

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LAWS AND REGULATIONS OF THE PRC

Laws and regulations in relation to our industry

Supervision of the retail industry

The Administrative Measures for Fair Transactions between Retailers and Suppliers (《零售商供應商公平交易管理辦法》) jointly promulgated by the National Development and Reform Commission of the PRC (the “**NDRC**”), the Ministry of Commerce of the PRC (the “**MOFCOM**”), the Ministry of Public Security (公安部), the State Administration for Industry and Commerce (國家工商行政管理總局) (the “**SAIC**”) and the State Administration of Taxation of the PRC (國家稅務總局) (the “**SAT**”) on 13 October 2006, and became effective on 15 November 2006, provide the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions.

The Measures for Administration on Sales Promotion Acts of Retailers (《零售商促銷行為管理辦法》) jointly promulgated by the MOFCOM, the NDRC, the Ministry of Public Security, the SAT, the SAIC on 12 September 2006, and became effective on 15 October 2006, provide the standards and requirements of retailers’ sales promotion and advertisement.

The Consumer Protection Law of the PRC

The principal legal provisions for the protection of consumers’ rights and interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the “**Consumer Protection Law**”), which was promulgated by the SCNPC on 31 October 1993 and came into effect on 1 January 1994, and was subsequently amended on 27 August 2009 and 25 October 2013.

The Consumer Protection Law sets out standards of behavior which business operators must observe in their dealing with consumer, including the following:

- ensuring that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property;
- ensuring the quality, functionality, application and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, sample apparel or any other manners; and
- properly performing its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers.

Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

Pursuant to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller, and vice versa.

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The Product Quality Law of the PRC

The principal legal provisions governing product liability are set out in 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 last amended on 29 December 2018. Pursuant to the Product Quality Law, sellers are obliged:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;
- not to sell defective or deteriorated products;
- to sell products with labels that comply with the relevant provisions;
- not to forge the original of a product, or to forge or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- not to add impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Violation of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

The seller shall 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. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

Laws and regulations in relation to personal data protection

Pursuant to Article 111 of The General Rules of the Civil Law of the PRC (《中華人民共和國民法總則》), which was promulgated by National People’s Congress on 15 March 2017 and became effective on 1 October 2017, any organization or individual shall legally obtain the personal data of others, ensure the safety of such personal data, and shall not illegally collect, use, process or transmit the personal data of others, or illegally make a deal or make a disclosure of that personal data.

Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》) (the “**Criminal Law**”) stipulates the crime of infringement of citizen’s personal information, whoever sells or provides any citizen’s personal information in violation of the relevant provisions of the state shall subject to fines and/or criminal detentions.

On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察

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院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”). The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law, including “citizen’s personal information”, “the relevant provision of the state” and “provide citizen’s personal information”.

The Consumer Protection Law further sets out rules which business operators must observe in their collection, usage, disclosure and safety of consumer’s personal data, including the following:

- when collecting or using the consumers’ personal data, adhering to the principles of acting in a legal, justifiable and necessary way, expressly indicating the purposes, methods and scope of the collection or usage of data, obtaining the consent of the consumers and shall not violate any applicable laws, regulations and relevant agreements.
- strictly keeping the collected personal data confidential and shall not disclose or sell such data nor illegally provide such data to others.
- adopting technical and other necessary measures to ensure the safety of consumer’s personal data and prevent such data from being disclosed or stolen. In case the data has been or potentially will be disclosed or lost, remedial measures shall be taken promptly.
- shall not send commercial information to consumers who have not requested such information or who have not consented to or have explicitly refused the receipt of such information.

Laws and regulations in relations to fire prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “**Fire Prevention Law**”) promulgated by the National People’s Congress on 29 April 1998 and amended on 28 October 2008 and 23 April 2019, the emergency management authority of the State Council shall implement supervision and administration of fire prevention work nationwide, the emergency management authorities of local People’s Governments at county level and above shall implement supervision and administration of fire prevention work within their respective administrative region, and the fire rescue department of the People’s Government at counterpart level shall be responsible for implementation. The Fire Prevention Law provides that for each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire rescue department of a local People’s Government at or above county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection.

Laws and regulations in relation to importing and exporting goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, and Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on 25 June 2004 and became effective on 1 July 2004 and amended on 18 August 2016 and 30 November 2019, foreign trade operators engaged in imports and exports of goods are regulated by a filing and registration system, which is implemented by the foreign trade authority under

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the PRC State Council or its entrusted agencies. Foreign trade operators that have not filed for registration in accordance with the provisions will be declined by the Customs to carry out the customs clearance and inspection procedures for import and export of goods.

The Customs Law of the PRC (《中華人民共和國海關法》) (the “**Customs Law**”) was promulgated by the SCNPC on 22 January 1987 and was respectively amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017. Pursuant to the Customs Law, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the Customs. In addition, the consignor or consignee of the goods exported or imported and the Customs broker must register themselves for declaration activities at the Customs office.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated and came into effect on 13 March 2014 and subsequently revised on 20 December 2017 and 29 May 2018, “consignor or consignee of export or import goods” means any legal person, other organization or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. A PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of two years.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April, 2018 and 29 December 2018 and its implementation rules promulgated on 31 August 2005 and amended on 18 July 2013, 6 February 2016, 1 March 2017 and 2 March 2019. Pursuant to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalog compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export goods which are not subject to statutory inspection shall be inspected randomly. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

Laws and regulations in relation to wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was adopted by the SCNPC on 29 December 1993 and became effective on 1 July 1994. It was last amended and became effective on 26 October 2018. Under the Company Law, companies are generally classified into two categories, limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies (the “**FIEs**”). According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) which was promulgated on 12 April 1986 and last amended on 3 September 2016, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, respectively.

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The Decision of the SCNPC on Revising Four Laws including the Law of the PRC on Wholly Foreign-owned Enterprises (《關於修改中華人民共和國外資企業法等四部法律的決定》), which was adopted by the 22nd Session of the Standing Committee of the 12th NPC on 3 September 2016, changes the “filing on approval” procedure for foreign investments in China such that the establishment and change of foreign investment enterprises which is not subject to special administrative measures stipulated by the state is only required to complete a filing instead of the previous requirements to apply for approval.

The Interim Administrative Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was promulgated by MOFCOM on 8 October 2016, amended on 30 July 2017 and 29 June 2018 and became effective on 30 June 2018 regulate establishments and changes of FIEs. If such establishments and changes do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the FIEs shall go through filing procedures instead of the procedures for approvals. However, if such establishment and changes fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the FIEs shall go through procedures for approvals according to relevant laws and regulations governing foreign investment.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), was formally adopted by the 2nd session of the thirteenth National People’s Congress on 15 March 2019, and will become effective on 1 January 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments. The negative list management system refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State.

Laws and regulations in relation to intellectual property

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), which was promulgated by the SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, and the Implementation Regulations for the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), which were promulgated by the PRC State Council on 3 August 2002, and amended on 29 April 2014 and became effective since 1 May 2014. An application for trademark registration shall be filed in based on the published classification of commodities and services. The description of commodities or services shall be filed in based on the class number and description in the classification of commodities and services, where the commodities or services are not listed in the classification of commodities and services, a statement on the commodities or services shall be attached.

According to the Trademark Law and its implementation regulations, a registered trademark is valid for ten years, from the date of registration. Upon expiry of the period of validity, the registrant shall apply for renewal within 12 months prior to the expiration date if the registrant needs to continue to use the trademark. If the registrant fails to do so, a grace period of six months may be granted. The renewed registered trademark is valid for another ten years from the day immediately after the expiry of the preceding period of validity. In the absence of a renewal upon expiry, the registered trademark shall be cancelled.

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Under the Trademark Law, any of the following acts maybe regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) to use a trademark that is identical with a registered trademark in respect of the same goods without authorization of the proprietor of the registered trademark; (ii) to use a trademark similar to a registered trademark in respect of the same goods or to use a trademark identical with or similar to a registered trademark in respect of similar goods, without authorization of the proprietor of the registered trademark, where such use is likely to cause confusion; (iii) to sell the goods that infringe the exclusive right to use a registered trademark; (iv) to counterfeit, or to make, without authorization, representations of a registered trademark of another person, or to sell such representations of a registered trademark as were counterfeited, or made without authorization; (v) to replace, without authorization, a registered trademark and put the goods bearing the replaced trademark on the market; (vi) to intentionally provide a person with conveniences for such person's infringement of the trademark of another person or facilitate such person's infringement of the trademark of another person; (vii) to cause, in other aspects, prejudice to the exclusive right of another person to use a registered trademark.

The registrant of a registered trademark may license others to use its registered trademark through the trademark license agreement. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall assure the quality of the goods in respect of which he uses the registered trademark. Where the registered trademark is licensed, the name of the licensee and manufacturing location shall be indicated on the product with the licensed registered trademark. The trademark license agreement shall be filed with the State Trademark Office for record.

Laws and regulations in relation to taxation

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) which was promulgated by the National People's Congress of the PRC on 16 March 2007 and amended on 24 February 2017 and 29 December 2018, respectively, and the Implementation Regulation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007 and last amended on 23 April 2019 (collectively, the “**EIT Laws**”), enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside the PRC at the rate of EIT of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises.

The EIT Laws provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (i) do not have an establishment or place of business in China or (ii) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which non-PRC shareholders reside.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and Prevention of Tax Evasion (《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》) promulgated by the SAT on 21 August 2006, the applicable withholding income tax rate for any dividends declared by a PRC company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its

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registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital.

Based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Announcement on the Issues Relating to “Beneficial Owners” in Tax Treaties (《關於稅收協定中「受益所有人」有關問題的公告》), which was issued by the SAT on 3 February 2018 and became effective on 1 April 2018, has stipulated several factors that are unfavorable to the determination of “beneficial owner”.

Value-added Tax

Sale of goods, processing, repair and replacement services and import and export of goods within the PRC are subject to value-added tax (the “VAT”), pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), promulgated by the State Council on 13 December 1993, amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the Ministry of Finance (the “MOF”) on 25 December 1993, last amended on 28 October 2011. VAT payable is calculated as output VAT minus input VAT. The VAT rate is 17% or, in certain limited circumstances, 11%, depending on the products, excluding small-scale taxpayers as defined in the Interim Regulations on Value-Added Tax of PRC.

Pursuant to the Circular of the MOF and the SAT Administration of Taxation on Adjusting VAT (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in a taxable sales activity for VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued jointly by the Ministry of Finance, the SAT and the General Administration of Customs on 20 March 2019 and came into effect on 1 April 2019, the previous applicable tax rates 16% and 10% will be further adjusted to 13% and 9% respectively.

Laws and regulations in relation to foreign exchange

The Foreign Exchange Management Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996 and was amended on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by the People’s Bank of China on 20 June 1996 and became effective on 1 July 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

On 30 March 2015, SAFE promulgated Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) to reform the management approach regarding the settlement of the foreign

REGULATORY OVERVIEW

exchange capital of foreign-invested enterprises. The notice implemented a discretionary foreign exchange settlement where the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

On 13 February 2015, SAFE promulgated the Circular on Further Simplifying and Improving Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Huifa [2015] No. 13, the “**Circular No. 13**”), which went into effect on 1 June 2015. Circular No. 13 simplifies the foreign exchange registration procedures for foreign direct investment and overseas direct investment, enables enterprises to handle it in a designated foreign exchange bank, and abolishes the capital contribution confirmation registration procedures. The foreign exchange registration procedure for direct investment is delegated to local banks which, after reviewing the documents a foreign-invested enterprise submits, will complete the registration through the online Capital Account Information System managed by SAFE.

On 9 June 2016, the SAFE further promulgated the Circular on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular No. 16**”). The Circular No. 16 allows all enterprises including foreign invested enterprises to convert 100 percent (subject to future adjustment at discretion of SAFE) of the foreign currency capital in their capital accounts into RMB at their own discretion without providing various supporting documents. However, to use the converted RMB, an enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the RMB proceeds through the aforementioned settlement procedure is set forth under the Circular No. 16.

On 23 October 2019, the SAFE further promulgated the Circular on Relevant Issues Concerning Further Promotion of Cross-Border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Haifa [2019] No. 28, the “**Circular No. 18**”) which became effective on the same day. Save for the foreign-invested enterprises engaged in investment business, the Circular No. 18 allows other foreign-invested enterprises to make domestic equity investments with capital funds in accordance with the Negative List promulgated in 2019 as long as the relevant projects invested in China are true and compliant.

Laws and regulations in relation to labor and social security

The Labor Law and Labor Contract Law of the PRC

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on 5 July 1994 with effect from 1 January 1995, and revised on 27 August 2009 and 29 December 2018, as well as the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 with effect from 1 January 2008, revised on 28 December 2012, if an employment relationship is established between an entity and its employees, written labor contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

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Social Insurance and Housing Provident Funds

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on 1 January 2004 and amended in 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on 14 December 1998. The Unemployment Insurance Measures (《失業保險條例》) promulgated on 22 January 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011 and amended on 29 December 2018, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council in 3 April 1999 and amended in 24 March 2002 and 24 March 2019, enterprises must register at the competent managing center for housing provident funds and upon the examination by such managing center of housing provident funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner.

LAWS AND REGULATIONS OF HONG KONG

Laws and regulations in relation to retail business

Trade description

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“**TDO**”) aims to prohibit false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods and services provided in the course of trade. The definition of trade description under section 2 of TDO covers a broad range of matters including but not limited to: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture, etc. Section 2 also provides that a trade description which is false to a material degree or which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as a false trade description.

Section 7 of TDO provides that it is an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 7A provides that it is an offence for 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. Section 12 further prohibits any person from importing or exporting any goods to which a false trade description or forged trade mark is applied.

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

Any person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK\$100,000 and imprisonment for 2 years.

Sale of Goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (i) where there is a sale of goods by description, the goods shall correspond with the description;
- (ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances;
- (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the Sale of Goods Ordinance, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Consumer Goods Safety

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“CGSO”) imposes a duty on manufacturers, importers and suppliers of consumer goods (i.e. goods which are ordinarily supplied for private use or consumption) to ensure that the consumer goods they supplied are safe.

Under section 6 of CGSO, a person shall not supply, manufacture or import into Hong Kong consumer goods, unless the consumer goods comply with the general safety requirement as provided under the ordinance or with the applicable safety standard(s) or safety specification(s) as approved by the Secretary for Commerce and Economic Development for the particular consumer goods. A person who contravenes section 6 commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK\$1,000 for each day the offence continued.

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Where the Commissioner of Customs and Excise reasonably believes that the consumer goods is non-compliant with the approved standard or a safety standard or safety specification established by regulation, the Commissioner is empowered under CGSO to (i) serve a prohibition notice prohibiting a person from supplying those consumer goods for a specified period not exceeding 6 months; and (ii) serve a recall notice requiring the immediate withdrawal of any consumer goods if there is a significant risk that the consumer goods will cause a serious injury and do not comply with the approved standard or a safety standard or safety specification established by regulation. Any person who is served with a notice and fails or refuses to comply with the notice commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK\$1,000 for each day the offence continued.

Copyright

Section 30 of the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (“**Copyright Ordinance**”) provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports into Hong Kong or exports from Hong Kong, otherwise than for his private or domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Further, section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner:

- (i) possesses for the purpose of or in the course of any trade or business;
- (ii) sells or lets for hire, or offers or exposes for sale or hire;
- (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business; or
- (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

According to section 35(2) of the Copyright Ordinance, a copy of a work is an infringing copy if its making constituted an infringement of the copyright of the work in question. However, section 35(4) provides that, in respect of the criminal provisions (i.e. sections 118 to 133), “infringing copy” does not include a copy of a work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong any time after the expiration of 15 months beginning on the first day of publication of the work in Hong Kong or elsewhere; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

Section 35(5) also provides that, in respect of the provisions on proceedings relating to importation of infringing articles (i.e. Division VII of the Copyright Ordinance), “infringing copy” does not include a copy of a work or a copy of an accessory work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

REGULATORY OVERVIEW

Trademarks

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (“**TMO**”) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Hence, trademarks registered with trademarks registries of other countries or regions do not automatically receive protection in Hong Kong. In order to obtain protection as registered trademarks in Hong Kong, trademarks must be registered under TMO and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

According to section 10 of TMO, a registered trade mark is a property right obtained by registration under the ordinance, and the owner of a registered trade mark has the rights and is entitled to the remedies provided by the ordinance. Section 14 further provides that the owner of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent.

Our Group is the registered owner of the trademarks as set out in “B. Further Information about the Business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Conducts which amount to infringement of a registered trade mark are set out in section 18 of TMO, which include, among others, the use in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered, and the use in the course of trade or business a sign which is 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 such goods or services is likely to cause confusion on the part of the public.

In accordance with section 20 of TMO, once a piece of goods bearing a registered trade mark has been put on the market anywhere in the world by the owner or with his consent (whether express or implied or conditional or unconditional), the registered trade mark in respect of such goods is not infringed unless (i) the condition of the goods has been changed or impaired after they have been put on the market and (ii) the use of the registered trade mark in relation to those goods is detrimental to the distinctive character or repute of the trade mark.

Pursuant to section 22 of TMO, the registered owner of a trade mark is entitled to commence infringement proceedings once any infringement by third parties occurs, and is entitled to all such relief by way of damages, injunctions, accounts or otherwise as is available in respect of infringement of any other property right. The trade mark owner may also apply to the court for an order for delivery up and an order for disposal pursuant to sections 23 and 25 of TMO, respectively.

Personal Data Privacy

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“**Personal Data (Privacy) Ordinance**”) places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 to this ordinance. The Personal Data (Privacy) Ordinance provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance. The six data protection principles are:

- Principle 1 – purpose and manner of collection of personal data;

REGULATORY OVERVIEW

- Principle 2 – accuracy and duration of retention of personal data;
- Principle 3 – use of personal data;
- Principle 4 – security of personal data;
- Principle 5 – information to be generally available; and
- Principle 6 – access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects certain rights, *inter alia*:

- the right to be informed of whether any data user holds their personal data;
- the right to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the Personal Data (Privacy) Ordinance.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**Competition Ordinance**”) are to, among others, prohibit conduct that prevents, restricts or distorts competition in Hong Kong, and prohibit mergers that substantially lessen competition in Hong Kong. There are three competition rules under the Competition Ordinance, namely, the First Conduct Rule, the Second Conduct Rule and the Merger Rule.

The First Conduct Rule prohibits anti-competitive agreements if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. The Second Conduct Rule prohibits abuse of market power if the object or effect of the conduct is to prevent, restrict or distort competition in Hong Kong. The Merger Rule prohibits anti-competitive mergers and acquisitions, and currently only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Penalties for infringement of the First Conduct Rule and the Second Conduct Rule that may be imposed by the Competition Tribunal includes pecuniary penalty that may amount to 10% of the turnover of the companies concerned for up to 3 years in which the contravention occurs (section 93), disqualification order against a director (section 101) and prohibition order (section 151A) etc..

LAWS AND REGULATIONS OF TAIWAN

Laws and regulations in relation to retail business

Corporate Registration

The investment in Taiwan made by a non-PRC foreign investor is governed by the Statute For Investment By Foreign Nationals. A non-PRC foreign investor may operate businesses in Taiwan except for those listed on the Negative List as promulgated by the Executive Yuan of

REGULATORY OVERVIEW

Taiwan. The main procedures for a non-PRC foreign investor to set up a branch in Taiwan are as follows: (1) obtaining the approval from the Ministry of Economic Affairs (“MOEA”); (2) completing the branch registration with the MOEA; (3) completing the business registration with local tax office; and (4) completing the importer/exporter registration with the Bureau of Foreign Trade of the MOEA.

If a non-PRC foreign investor who has invested in Taiwan subsequently becomes a PRC investor, such foreign investor is required to obtain prior approval by the Investment Commission of the MOEA for the qualification change. Pursuant to the Guidelines Governing Investment Permit for the People of Mainland China Area, “PRC investor” refers to: (1) a PRC individual or legal entity; (2) a foreign entity whose 30% shares or more is, directly or indirectly, held by a PRC investor(s); or (3) a foreign entity which is controlled by PRC a investor(s).

Consumer Protection

Pursuant to the relevant provisions of Taiwan Consumer Protection Act, enterprises engaging in the design, manufacture of goods or provision of services shall ensure such goods or services, when entering into the market, comply with the contemporary technological or professional standards with reasonably expected safety requirements. In the event of any violation of the aforesaid regulation, the enterprises shall be jointly and severally liable for the damage caused to the consumers or third parties. The importers of goods or services shall be deemed as the manufacturers or service providers, and bear the same liabilities thereof.

Import and Export

Pursuant to the relevant provisions of Taiwan Foreign Trade Act, an entity registered with the Bureau of Foreign Trade, Ministry of Economic Affairs, Executive Yuan may engage in export and/or import business.

Laws and regulations in relation to intellectual property

Trademark

Pursuant to the relevant provisions of Taiwan Trademark Act, the proprietor of a registered trademark shall have the exclusive right of the trademark for a period of ten years from the date of publication for registration, which may be renewed for ten years upon expiration repeatedly.

The proprietor may license such trademark, exclusively or non-exclusively, to a licensee for a designated scope and particular locality. A licensee shall have no *locus standi* against any third party unless such license is registered with the Taiwan Intellectual Property Office.

A proprietor is entitled to demand to cease an infringement or prevent a potential one, or to claim his/her damages against a trademark infringer. An exclusive licensee, within the scope of license, can bring the foregoing infringement proceedings in his/her own name.

Laws and regulations in relation to labor and working safety

Basic Wages

The wages paid to employees shall not be lower than the “basic wage,” which may be adjusted by the competent authority from time to time. The latest adjustment has become effective from 1 January 2019, which makes monthly basic wage to NTD23,100 and hourly basic wage to NTD150.

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Labor-Management Conference

Pursuant to the relevant provisions of Taiwan Labor Standards Act, a company shall hold labor-management conferences, which is composed of an equivalent number of representatives from both labor and management. The name list of labor representatives shall be filed with the competent authority within 15 days after election or any changes. In the event that a company implement any affairs (such as extending working hours and female employees working at night time) without approval by the labor management conference as required, the company shall be subject to a fine of NTD20,000 to NTD1,000,000.

Labor Insurance

Pursuant to the relevant provisions of Taiwan Labor Insurance Act, an employer shall enroll its employees for labor insurance, which insurance premium is calculated using the employee's monthly insured salary and insurance premium rate. An employer failing to enroll or under-declaring/over-declaring insured salaries shall be imposed of a fine equivalent to four times of the premiums differences. The damage thus incurred to the employees shall be compensated by the employers as well.

National Health Insurance for Employees

Pursuant to the relevant provisions of Taiwan National Health Insurance Act, an employer shall enroll its employees for national health insurance and deduct premium on a monthly basis. If an employer fails to enroll or under-declares insured salaries, it shall be punished with an amount equivalent to two to four times of the premium differences.

Labor Pension

Pursuant to the relevant provisions of Taiwan Labor Pension Act, employers shall on a monthly basis contribute labor pension of not less than 6% of its employees' monthly wage to individual accounts of labor pension at the Bureau of Labor Insurance for its employees. An employer fails to file the application for contribution or termination of contribution may be fined in an amount from NTD20,000 to NTD100,000.

Laws and regulations in relation to taxation

Pursuant to the relevant provisions of Taiwan Income Tax Act and Taiwan Income Basic Tax Act, the business income tax rate is 20%, subject to income basic tax (whichever is larger).

Pursuant to the relevant provisions of Taiwan Value-added and Non-value-added Business Tax Act, the Taiwan Branch shall be subject to business tax of 5% for the sales of goods or services and imported goods in Taiwan.

Laws and regulations in relation to foreign exchange

Currently Taiwan regulates only those foreign exchange transactions that involve the conversion of the New Taiwan Dollar into foreign currencies. Pursuant to the relevant provisions of Taiwan Foreign Exchange Control Act, foreign exchange transactions of a value of NTD500,000 or more shall be declared to the Central Bank of Taiwan. Further, for a remittance by a company as follows, relevant testimonials shall be submitted and such remittance shall be subject to the approval of the Central Bank of Taiwan: (1) a single remittance of an amount over USD1 million; or (2) annual accumulated settlement amount of foreign exchange purchased or sold has exceeded USD50 million.

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Laws and regulations in relation to personal data protection

Pursuant to the relevant provisions of Taiwan Personal Data Protection Act, the collection, process and use of general personal data (such as name, date of birth, identification number) shall be for specific purpose and with certain statutory situations, including, based on a contractual arrangement or with consent of the subject party, which shall be based on a proper and adequate notification advance to collection.

OUR BUSINESS HISTORY

Our Group's history can be traced back to 2005 when Mr. Fan, the chairman of our Board, an executive Director and our Controlling Shareholder, founded the first subsidiary of our Group, Wide Spread, in Hong Kong using his personal resources. Mr. Fan brings to our Group industry insights and has more than ten years of experience as a fashion retailer. Prior to launching our fashion apparel retail business in 2005, Mr. Fan was engaged in the fashion apparel wholesale and retail business and invested in the opening of certain shopping malls located in Greater China since the 1990s, in his personal capacity and through cooperation with business partners. During this time, Mr. Fan began distributing apparels of local brands and subsequently encountered and established business relationships with several international brands such as *CK CALVIN KLEIN* and *Calvin Klein Jeans*, where he accumulated relevant experience and knowledge of the fashion apparels wholesale and retail industry. For further details of the background and industry experience of Mr. Fan, please refer to the section headed "Directors and Senior Management" in this prospectus.

In order to tap into the fashion apparel industry in Macau, we established Macau Ieng Nam in 2007 and expanded our retail business into the Macau market. Throughout the years, our Group continuously established business relationships with renowned international brands and expanded our retail network to cover geographic locations in Greater China. As at the Latest Practicable Date, we had 215 self-operated retail stores, of which 182 retail stores are mono-brand stores and 33 retail stores are multi-brand stores. For further details of our business, please refer to the section headed "Business" in this prospectus.

Key milestones of our Group

The following table sets forth major development milestones of our Group:

Year	Milestones
2005	Mr. Fan founded our Group through the incorporation of Wide Spread, our first operating subsidiary in Hong Kong
2007	We established Macau Ieng Nam and launched our retail business into the Macau market, selling international fashion brands in our mono-brand stores
2011	We opened multi-brand stores under the name of <i>UM</i> in Macau, Mainland China and Hong Kong. We also launched our proprietary brand <i>UM</i>
	We commenced business in southern China through the establishment of Shenzhen Shouwei

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestones
2015	We set up our Shanghai offices to further enlarge our network of wholesale stores in eastern China market We entered into a cooperation agreement with the brand owner of <i>Neil Barrett</i> and its ultimate shareholder, and opened the first <i>Neil Barrett</i> mono-brand store in Mainland China
2017	We opened our first mono-brand store in the Hainan Province selling an international fashion brand We launched our proprietary brands <i>UM•IXOX</i> and <i>IXOX</i>
2019	We opened “<i>WF Fashion</i>”, our life-style multi-brand store, in Macau and further enriched our lifestyle merchandise selection We launched our retail business in the Taiwan market and opened three mono-brand stores in Taiwan

OUR GROUP COMPANIES

Our Group comprises our Company and 20 subsidiaries established in the BVI, Hong Kong, Macau, Mainland China and Taiwan. The following sets out a brief corporate history of the establishment and major changes in the shareholding of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 May 2019. At the time of incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. One Share was allotted and issued at par to the initial subscriber (a company secretarial service provider and independent third party), which was subsequently transferred to Gold Star on the same day at par. Such one Share was credited as fully paid on 5 July 2019. On 12 June 2019, our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Upon completion of the Reorganisation, our Company directly or indirectly held all the shareholding and equity interests in our subsidiaries.

THE BVI

World First International

World First International was incorporated in the BVI with limited liability on 28 October 2014. It is authorised to issue a maximum of 50,000 ordinary shares of single class with a par

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

value of US\$1.00 each. On the date of incorporation, 1,000 shares were allotted and issued at par, all credited as fully paid, to Mr. Fan.

On 3 July 2019, pursuant to the Reorganisation, World First International became a direct wholly-owned subsidiary of Fortune Fashion, which in turn is an indirect wholly-owned subsidiary of our Company.

World First International is an investment holding company.

Fortune Fashion

Fortune Fashion was incorporated in the BVI with limited liability on 20 May 2019. It is authorised to issue a maximum of 50,000 ordinary shares of single class without par value. On the date of incorporation, ten shares were allotted and issued at a consideration of HK\$1.00 per share, all credited as fully paid, to our Company.

As at the Latest Practicable Date, Fortune Fashion was a direct wholly-owned subsidiary of our Company.

Fortune Fashion is an investment holding company.

Frontline Fashion

Frontline Fashion was incorporated in the BVI with limited liability on 20 May 2019. It is authorised to issue a maximum of 50,000 ordinary shares of single class without par value. On the date of incorporation, ten shares were allotted and issued at a consideration of HK\$1.00 per share, all credited as fully paid, to Fortune Fashion.

As at the Latest Practicable Date, Frontline Fashion was an indirect wholly-owned subsidiary of our Company.

Frontline Fashion is an investment holding company.

MACAU

Macau Ieng Nam

Macau Ieng Nam was incorporated in Macau with limited liability on 28 March 2007. At the time of incorporation, it had a share capital of MOP100,000 divided into two quotas with a nominal amount of MOP50,000 and MOP50,000, respectively, which were owned by Mr. Fan and Ms. Lau Fai Hung Fion (“**Ms. Lau**”), an Independent Third Party, respectively, representing 50% and 50% of the share capital of Macau Ieng Nam, respectively.

On 16 August 2007, Ms. Lau transferred 49% and 1% of the share capital of Macau Ieng Nam to Mr. Fan and Ms. Chen for its nominal amounts of MOP49,000 and MOP1,000,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

respectively. As a result of the transfer, Mr. Fan and Ms. Chen held 99% and 1% of the share capital of Macau Ieng Nam, respectively. Ms. Chen held such interests for the benefits and under the instructions of Mr. Fan.

On 14 August 2014, as an arrangement of replacement of nominee, under the direction of Mr. Fan, Ms. Chen transferred 1% of the share capital of Macau Ieng Nam to Ms. Fan Po Yuk (“**Ms. PY Fan**”), the sister of Mr. Fan, the mother of Mr. Fong Yat Ming and the aunt of Ms. Fan Tammy, for the nominal amount of MOP1,000. As a result of the transfer, Macau Ieng Nam was owned as to 99% by Mr. Fan and 1% by Ms. PY Fan, who held such interests for the benefits and under the instructions of Mr. Fan.

On 23 July 2019, pursuant to the Reorganisation, Macau Ieng Nam was owned as to 79% by Frontline Fashion and 21% by Fortune Fashion, which in turn became an indirect wholly-owned subsidiary of our Company.

Macau Ieng Nam is principally engaged in retail of fashion apparel in Macau.

Sao Wai Investment

Sao Wai Investment was incorporated in Macau with limited liability on 26 November 2009. At the time of incorporation, it had a share capital of MOP25,000 divided into two quotas with a nominal amount of MOP24,000 and MOP1,000, respectively, which were owned by Mr. Fan and Mr. Fong Yat Ming (“**Mr. Fong**”), an executive Director, the nephew of Mr. Fan and the cousin of Ms. Fan Tammy, respectively, representing 96% and 4% of the share capital of Sao Wai Investment, respectively. Mr. Fong held such interests for the benefits and under the instructions of Mr. Fan.

On 6 August 2013, as an arrangement of replacement of nominee, under the direction of Mr. Fan, Mr. Fong transferred 4% of the share capital of Sao Wai Investment to Ms. PY Fan for the nominal amount of MOP1,000. As a result of the transfer, Sao Wai Investment was owned as to 96% by Mr. Fan and 4% by Ms. PY Fan, who held such interests for the benefits and under the instructions of Mr. Fan.

On 5 July 2019, pursuant to the Reorganisation, Sao Wai Investment was owned as to 96% by Frontline Fashion and 4% by Macau Ieng Nam. It became an indirect wholly-owned subsidiary of our Company on 23 July 2019.

Sao Wai Investment is principally engaged in retail of lifestyle merchandise in Macau.

Ieng Leong

Ieng Leong was incorporated in Macau with limited liability on 30 April 2010. At the time of incorporation, it had a share capital of MOP25,000 divided into two quotas with a nominal amount of MOP24,000 and MOP1,000, respectively, which were owned by Mr. Fan and Mr.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Fong, respectively, representing 96% and 4% of the share capital of Ieng Leong, respectively. Mr. Fong held such interests for the benefits and under the instructions of Mr. Fan.

On 6 August 2013, as an arrangement of replacement of nominee, under the direction of Mr. Fan, Mr. Fong transferred 4% of the share capital of Ieng Leong to Ms. PY Fan for the nominal amount of MOP1,000. As a result of the transfer, Ieng Leong was owned as to 96% by Mr. Fan and 4% by Ms. PY Fan, who held such interests for the benefits and under the instructions of Mr. Fan.

On 5 July 2019, pursuant to the Reorganisation, Ieng Leong was owned as to 96% by Frontline Fashion and 4% by Macau Ieng Nam. It became an indirect wholly-owned subsidiary of our Company on 23 July 2019.

Ieng Leong is principally engaged in retail of fashion apparel and other lifestyle merchandise in Macau.

Ieng Weng

Ieng Weng was incorporated in Macau with limited liability on 30 April 2010. At the time of incorporation, it had a share capital of MOP25,000 divided into two quotas with a nominal amount of MOP24,000 and MOP1,000, respectively, which were owned by Mr. Fan and Mr. Fong, respectively, representing 96% and 4% of the share capital of Ieng Weng, respectively. Mr. Fong held such interests for the benefits and under the instructions of Mr. Fan.

On 6 August 2013, as an arrangement of replacement of nominee, under the direction of Mr. Fan, Mr. Fong transferred 4% of the share capital of Ieng Weng to Ms. PY Fan for the nominal amount of MOP1,000. As a result of the transfer, Ieng Weng was owned as to 96% by Mr. Fan and 4% by Ms. PY Fan, who held such interests for the benefits and under the instructions of Mr. Fan.

On 5 July 2019, pursuant to the Reorganisation, Ieng Weng was owned as to 96% by Frontline Fashion and 4% by Macau Ieng Nam. It became an indirect wholly-owned subsidiary of our Company on 23 July 2019.

Ieng Weng is principally engaged in retail of fashion apparel in Macau.

Lan Yuan

Lan Yuan was incorporated in Macau with limited liability on 20 May 2010. At the time of incorporation, it had a share capital of MOP25,000 divided into two quotas with a nominal amount of MOP24,000 and MOP1,000, respectively, which were owned by Mr. Fan and Mr. Fong, respectively, representing 96% and 4% of the share capital of Lan Yuan, respectively. Mr. Fong held such interests for the benefits and under the instructions of Mr. Fan.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 6 August 2013, as an arrangement of replacement of nominee, under the direction of Mr. Fan, Mr. Fong transferred 4% of the share capital of Lan Yuan to Ms. PY Fan for the nominal amount of MOP1,000. As a result of the transfer, Lan Yuan was owned as to 96% by Mr. Fan and 4% by Ms. PY Fan, who held such interests for the benefits and under the instructions of Mr. Fan.

On 5 July 2019, pursuant to the Reorganisation, Lan Yuan was owned as to 96% by Frontline Fashion and 4% by Macau Ieng Nam. It became an indirect wholly-owned subsidiary of our Company on 23 July 2019.

Lan Yuan is principally engaged in retail of fashion apparel in Macau.

Macau Ieng Kun

Macau Ieng Kun was incorporated in Macau with limited liability on 6 February 2015. At the time of incorporation, it had a share capital of MOP25,000 divided into two quotas with a nominal amount of MOP24,000 and MOP1,000, respectively, which were owned by NB China and Mr. Fan, respectively, representing 96% and 4% of the share capital of Macau Ieng Kun, respectively.

On 23 July 2019, pursuant to the Reorganisation, Macau Ieng Kun was owned as to 96% by NB China and 4% by World First International, and became an indirect non-wholly owned subsidiary of our Company.

Macau Ieng Kun is principally engaged in retail of fashion apparel in Macau.

MAINLAND CHINA

Shenzhen Shouwei

Shenzhen Shouwei was established under the laws of the PRC with limited liability on 12 January 2011 with a registered capital of HK\$10,000,000. Since its establishment, Shenzhen Shouwei has been wholly-owned by World First Holdings.

On 21 June 2012, the registered capital of Shenzhen Shouwei was increased from HK\$10,000,000 to HK\$50,000,000. Its registered capital was further increased to HK\$80,000,000 on 23 May 2014. On 6 November 2014, the registered capital of Shenzhen Shouwei was adjusted from HK\$80,000,000 to HK\$62,000,000.

On 2 July 2019, pursuant to the Reorganisation, Shenzhen Shouwei became an indirect wholly-owned subsidiary of our Company.

On 9 December 2019, the registered capital of Shenzhen Shouwei was increased to HK\$100,000,000.

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Shenzhen Shouwei is principally engaged in retail of fashion apparel in Mainland China. As of the Latest Practicable Date, it had 66 branches established under the laws of the PRC.

Shenzhen Yingliang

Shenzhen Yingliang was established under the laws of the PRC with limited liability on 30 June 2011 with a registered capital of HK\$10,000,000. Since its establishment, Shenzhen Yingliang has been wholly-owned by World First Holdings.

On 27 April 2013, Shenzhen Yingliang increased its registered capital from HK\$10,000,000 to HK\$50,000,000.

On 2 July 2019, pursuant to the Reorganisation, Shenzhen Yingliang became an indirect wholly-owned subsidiary of our Company.

Shenzhen Yingliang is principally engaged in retail of fashion apparel in Mainland China. As of the Latest Practicable Date, it had 25 branches established under the laws of the PRC.

Shanghai Lanyuan

Shanghai Lanyuan was established under the laws of the PRC with limited liability on 14 November 2014 with a registered capital of HK\$22,500,000. On 1 July 2019, the registered capital of Shanghai Lanyuan was adjusted from HK\$22,500,000 to HK\$15,000,000. Since its establishment, Shanghai Lanyuan has been wholly-owned by Yingnan Asia.

On 2 July 2019, pursuant to the Reorganisation, Shanghai Lanyuan became an indirect wholly-owned subsidiary of our Company.

Shanghai Lanyuan is principally engaged in retail of fashion apparel in Mainland China. As of the Latest Practicable Date, it had eight branches established under the laws of the PRC.

Shanghai Yingzhao

Shanghai Yingzhao was established under the laws of the PRC with limited liability on 10 February 2015 with a registered capital of HK\$16,500,000. Since its establishment, Shanghai Yingzhao has been wholly-owned by NB China.

On 3 July 2019, pursuant to the Reorganisation, Shanghai Yingzhao became an indirect non-wholly owned subsidiary of our Company.

Shanghai Yingzhao is principally engaged in retail and distribution of fashion apparel in Mainland China. As of the Latest Practicable Date, it had nine branches established under the laws of the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Zhuhai Yinghua

Zhuhai Yinghua was established under the laws of the PRC with limited liability on 21 June 2016 with a registered capital of HK\$8,000,000. On 18 July 2019, the registered capital of Zhuhai Yinghua was adjusted from HK\$8,000,000 to HK\$4,000,000. Since its establishment, Zhuhai Yinghua has been wholly-owned by Macau Ieng Nam.

On 23 July 2019, pursuant to the Reorganisation, Zhuhai Yinghua became an indirect wholly-owned subsidiary of our Company.

Zhuhai Yinghua is principally engaged in retail of fashion apparel in Mainland China.

HONG KONG

Wide Spread

Wide Spread was incorporated in Hong Kong with limited liability on 15 March 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, one share of Wide Spread was allotted and issued to the initial subscriber, an Independent Third Party, which was subsequently transferred to Mr. Fan on 25 April 2005.

On 4 January 2012, the authorised share capital of Wide Spread was increased from HK\$10,000 to HK\$5,000,000. On the same date, an additional of 999,999 shares were allotted and issued as fully paid at HK\$1.00 per share to Mr. Fan. As a result of the allotment, Mr. Fan held 1,000,000 shares, representing the entire share capital of Wide Spread.

On 16 March 2012, 4,000,000 shares were further allotted and issued as fully paid at HK\$1.00 per share to Mr. Fan. As a result of the allotment, Mr. Fan held 5,000,000 shares, representing the entire share capital of Wide Spread.

On 3 July 2019, pursuant to the Reorganisation, Wide Spread became a direct wholly-owned subsidiary of World First Holdings, which in turn is an indirect wholly-owned subsidiary of our Company.

Wide Spread is principally engaged in retail of fashion apparel in Hong Kong.

World First Holdings

World First Holdings was incorporated in Hong Kong with limited liability on 4 January 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, one share of World First Holdings was allotted and issued to the initial subscriber, an Independent Third Party, which was subsequently transferred to Mr. Fan on 9 February 2010.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 7 December 2012, the authorised share capital of World First Holdings was increased from HK\$10,000 to HK\$100,000,000. On 20 December 2012, an additional of 52,999,999 shares were allotted and issued as fully paid at HK\$1.00 per share to Mr. Fan. As a result of the allotment, Mr. Fan held 53,000,000 shares, representing the entire share capital of World First Holdings.

On 27 December 2013, the authorised share capital of World First Holdings was further increased from HK\$100,000,000 to HK\$150,000,000. On 30 December 2013, an additional of 50,000,000 shares were allotted and issued as fully paid at HK\$1.00 per share to Mr. Fan. As a result of the allotment, Mr. Fan held 103,000,000 shares, representing the entire share capital of World First Holdings.

On 2 July 2019, pursuant to the Reorganisation, World First Holdings became a direct wholly-owned subsidiary of Fortune Fashion, which in turn is an indirect wholly-owned subsidiary of our Company.

World First Holdings is an investment holding company.

Yingnan Asia

Yingnan Asia was incorporated in Hong Kong with limited liability on 30 June 2014 with an issued share capital of HK\$1.00 divided into one share. On the same date, one share of Yingnan Asia was allotted and issued to Mr. Fan.

On 2 July 2019, pursuant to the Reorganisation, Yingnan Asia became a direct wholly-owned subsidiary of Fortune Fashion, which in turn is an indirect wholly-owned subsidiary of our Company.

Yingnan Asia is an investment holding company.

NB China

NB China was incorporated in Hong Kong with limited liability on 2 December 2014 with an issued share capital of HK\$65,000 divided into 65,000 shares. NB China was formerly known as Win First Trading Co., Limited and Neil Barrett China Limited. On the date of incorporation, 65,000 shares of NB China were allotted and issued to World First International.

On 12 May 2017, an additional of 43,333 shares were allotted to Twelve S.A., a company incorporated in Luxembourg which indirectly wholly owns White S.R.L., the brand owner of *Neil Barrett*, for a consideration of HK\$40,000 (approximately HK\$0.92 per share), which was determined with reference to the then paid up share capital of NB China. Such allotment was made pursuant to the terms of the cooperation agreement dated 15 April 2015 entered into among Twelve S.A., White S.R.L. and World First International. As a result of the allotment, World First International held 65,000 shares and Twelve S.A. held 43,333 shares, representing approximately 60% and approximately 40% of NB China, respectively. To the best knowledge

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

and belief of our Directors after having made all reasonable enquiries, the shares of Twelve S.A. are indirectly held by a trust established in Cyprus, the beneficiaries of which are Independent Third Parties.

On 3 July 2019, pursuant to the Reorganisation, NB China became an indirect non-wholly owned subsidiary of our Company.

NB China is principally engaged in procurement of fashion apparel.

Sao Hang

Sao Hang was incorporated in Hong Kong with limited liability on 11 June 2018 with an issued share capital of HK\$10,000 divided into 10,000 shares. On the same date, 10,000 shares of Sao Hang were allotted and issued to Mr. Fan.

On 3 July 2019, pursuant to the Reorganisation, Sao Hang became a direct wholly-owned subsidiary of World First Holdings, which in turn is an indirect wholly-owned subsidiary of our Company.

Sao Hang is an investment holding company. It has one branch registered under the laws of Taiwan which is principally engaged in retail of fashion apparel in Taiwan.

Sao Wai

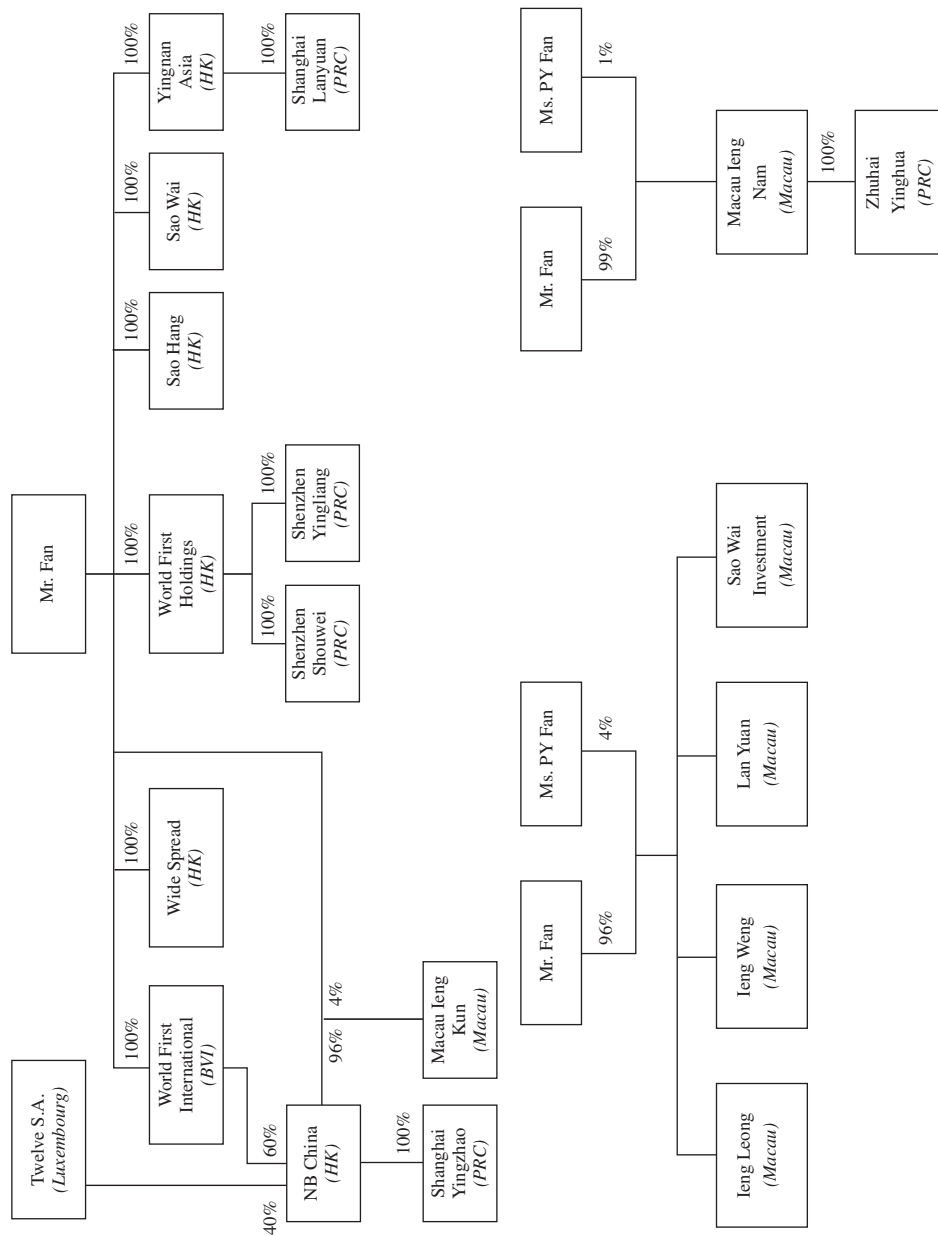
Sao Wai was incorporated in Hong Kong with limited liability on 11 June 2018 with an issued share capital of HK\$10,000 divided into 10,000 shares. On the same date, 10,000 shares of Sao Wai were allotted and issued to Mr. Fan.

On 3 July 2019, pursuant to the Reorganisation, Sao Wai became a direct wholly-owned subsidiary of World First Holdings, which in turn is an indirect wholly-owned subsidiary of our Company.

Sao Wai is an investment holding company.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following charts set out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Note: Mr. Fan had a shop in Shantou, the PRC, that operated under a sole proprietorship (個體工商戶) in the PRC held by Mr. Fan. Such sole proprietorship was deregistered on 18 April 2019.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation. The Reorganisation involved the following major steps:

Step 1 – Incorporation of Gold Star by Mr. Fan

Gold Star, an investment holding company, was incorporated as a limited liability company under the laws of the BVI on 15 May 2019 and is authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the date of incorporation, Gold Star allotted and issued ten shares at a consideration of HK\$1.00 per share to Mr. Fan, all credited as fully paid.

Step 2 – Incorporation of our Company by Gold Star

On 16 May 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. On the date of incorporation, one Share was allotted and issued at par to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Gold Star on the same day at par. On 5 July 2019, such one Share was credited as fully paid.

Step 3 – Incorporation of Fortune Fashion by our Company

On 20 May 2019, Fortune Fashion was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the date of incorporation, Fortune Fashion allotted and issued ten shares at a consideration of HK\$1.00 per share, all credited as fully paid, to our Company, representing 100% of the issued shares of Fortune Fashion. As a result, Fortune Fashion became a direct wholly-owned subsidiary of our Company.

Step 4 – Incorporation of Frontline Fashion by Fortune Fashion

On 20 May 2019, Frontline Fashion was incorporated in the BVI as a limited liability company and is authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the date of incorporation, Frontline Fashion allotted and issued ten shares at a consideration of HK\$1.00 per share, all credited as fully paid, to Fortune Fashion, representing 100% of the issued shares of Frontline Fashion. As a result, Frontline Fashion became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

Step 5 – Acquisition of World First Holdings by Fortune Fashion

On 2 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 103,000,000 ordinary shares in World First Holdings, representing the entire issued share capital of World First Holdings, to Fortune Fashion at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, World First Holdings became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

Step 6 – Acquisition of Yingnan Asia by Fortune Fashion

On 2 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer one ordinary share in Yingnan Asia, representing the entire issued share capital of Yingnan Asia, to Fortune Fashion at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Yingnan Asia became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

Step 7 – Acquisition of World First International by Fortune Fashion

On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 1,000 ordinary shares in World First International, representing the entire issued share capital of World First International, to Fortune Fashion at the request and instruction of our Company, in consideration of our Company allotting and issuing 99 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, World First International became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

Step 8 – Acquisition of Wide Spread by World First Holdings

On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 5,000,000 ordinary shares in Wide Spread, representing the entire issued share capital of Wide Spread, to World First Holdings at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As a result, Wide Spread became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

Step 9 – Acquisition of Sao Hang by World First Holdings

On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 10,000 ordinary shares in Sao Hang, representing the entire issued share capital of Sao Hang, to World First Holdings at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Sao Hang became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

Step 10 – Acquisition of Sao Wai by World First Holdings

On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 10,000 ordinary shares in Sao Wai, representing the entire issued share capital of Sao Wai, to World First Holdings at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Sao Wai became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

Step 11 – Acquisition of Ieng Leong by Frontline Fashion and Macau Ieng Nam

On 5 July 2019, Mr. Fan and Ms. PY Fan, at the direction of Mr. Fan (as assignors) and Frontline Fashion and Macau Ieng Nam (as assignees) entered into an agreement for assignment of quota, pursuant to which (i) Mr. Fan agreed to assign one quota in the nominal amount of MOP24,000, representing 96% of the entire share capital of Ieng Leong, in favour of Frontline Fashion, for the nominal amount of MOP24,000; and (ii) Ms. PY Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 4% of the entire share capital of Ieng Leong, in favour of Macau Ieng Nam, for the nominal amount of MOP1,000. The above assignments were completed on the same date.

As a result, Ieng Leong is owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

Step 12 – Acquisition of Ieng Weng by Frontline Fashion and Macau Ieng Nam

On 5 July 2019, Mr. Fan and Ms. PY Fan, at the direction of Mr. Fan (as assignors) and Frontline Fashion and Macau Ieng Nam (as assignees) entered into an agreement for assignment of quota, pursuant to which (i) Mr. Fan agreed to assign one quota in the nominal amount of MOP24,000, representing 96% of the entire share capital of Ieng Weng, in favour of Frontline Fashion, for the nominal amount of MOP24,000; and (ii) Ms. PY Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 4% of the entire share capital of Ieng Weng, in favour of Macau Ieng Nam, for the nominal amount of MOP1,000. The above assignments were completed on the same date.

As a result, Ieng Weng is owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

Step 13 – Acquisition of Lan Yuan by Frontline Fashion and Macau Ieng Nam

On 5 July 2019, Mr. Fan and Ms. PY Fan, at the direction of Mr. Fan (as assignors) and Frontline Fashion and Macau Ieng Nam (as assignees) entered into an agreement for assignment of quota, pursuant to which (i) Mr. Fan agreed to assign one quota in the nominal amount of MOP24,000, representing 96% of the entire share capital of Lan Yuan, in favour of Frontline Fashion, for the nominal amount of MOP24,000; and (ii) Ms. PY Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 4% of the entire share capital of Lan Yuan, in favour of Macau Ieng Nam, for the nominal amount of MOP1,000. The above assignments were completed on the same date.

As a result, Lan Yuan is owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

Step 14 – Acquisition of Sao Wai Investment by Frontline Fashion and Macau Ieng Nam

On 5 July 2019, Mr. Fan and Ms. PY Fan, at the direction of Mr. Fan (as assignors) and Frontline Fashion and Macau Ieng Nam (as assignees) entered into an agreement for assignment of quota, pursuant to which (i) Mr. Fan agreed to assign one quota in the nominal amount of MOP24,000, representing 96% of the entire share capital of Sao Wai Investment, in favour of Frontline Fashion, for the nominal amount of MOP24,000; and (ii) Ms. PY Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 4% of the entire share capital of Sao Wai Investment, in favour of Macau Ieng Nam, for the nominal amount of MOP1,000. The above assignments were completed on the same date.

As a result, Sao Wai Investment is owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

Step 15 – Acquisition of Macau Ieng Kun by World First International

On 23 July 2019, Mr. Fan (as assignor) and World First International (as assignee) entered into an agreement for assignment of quota, pursuant to which Mr. Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 4% of the entire share capital of Macau Ieng Kun, in favour of World First International, for the nominal amount of MOP1,000. Such assignment was completed on the same date.

As a result, Macau Ieng Kun is owned as to 96% and 4% by NB China and World First International, respectively, and an indirect non-wholly owned subsidiary of our Company.

Step 16 – Acquisition of Macau Ieng Nam by Frontline Fashion and Fortune Fashion

Pursuant to a minutes of Macau Ieng Nam dated 23 July 2019, it was resolved that the quota held by Mr. Fan be divided into two quotas in the amount of MOP79,000 and MOP20,000, respectively.

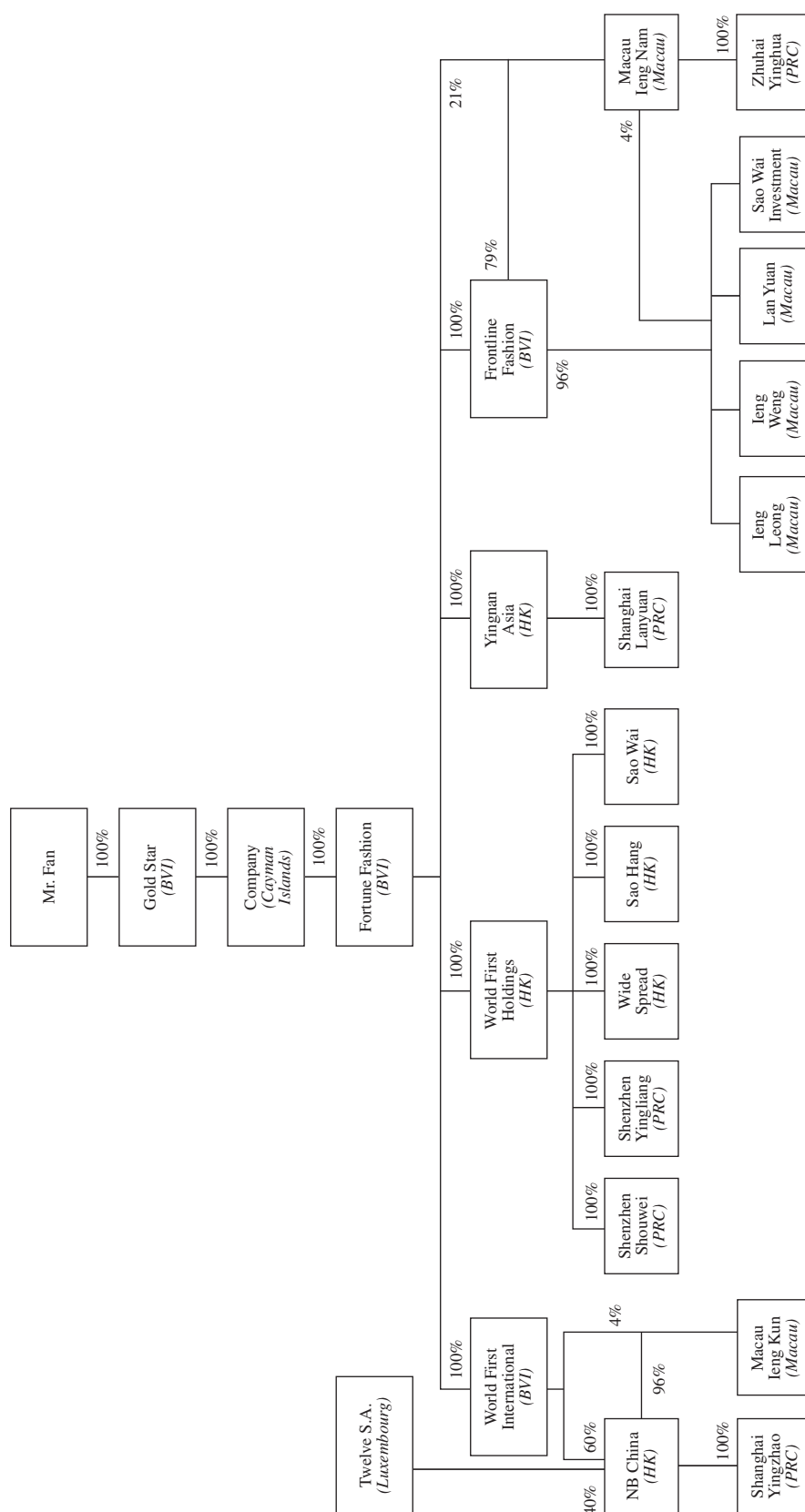
On 23 July 2019, Mr. Fan and Ms. PY Fan, at the direction of Mr. Fan (as assignors) and Frontline Fashion and Fortune Fashion (as assignees) entered into an agreement for assignment of quotas, pursuant to which (i) Mr. Fan agreed to assign one quota in the nominal amount of MOP79,000 and another quota in the nominal amount of MOP20,000, representing 79% and 20% of the entire share capital of Macau Ieng Nam, respectively, in favour of Frontline Fashion and Fortune Fashion, respectively, for the nominal amounts of MOP79,000 and MOP20,000, respectively; and (ii) Ms. PY Fan agreed to assign one quota in the nominal amount of MOP1,000, representing 1% of the entire share capital of Macau Ieng Nam, in favour of Fortune Fashion, for the nominal amount of MOP1,000. The above assignments were completed on the same date.

As a result, Macau Ieng Nam is owned as to 79% and 21% by Frontline Fashion and Fortune Fashion, respectively, and an indirect wholly-owned subsidiary of our Company.

In addition, each of Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment became an indirect wholly-owned subsidiary of our Company on the same date.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE LISTING

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



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY

On 17 December 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares of a par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

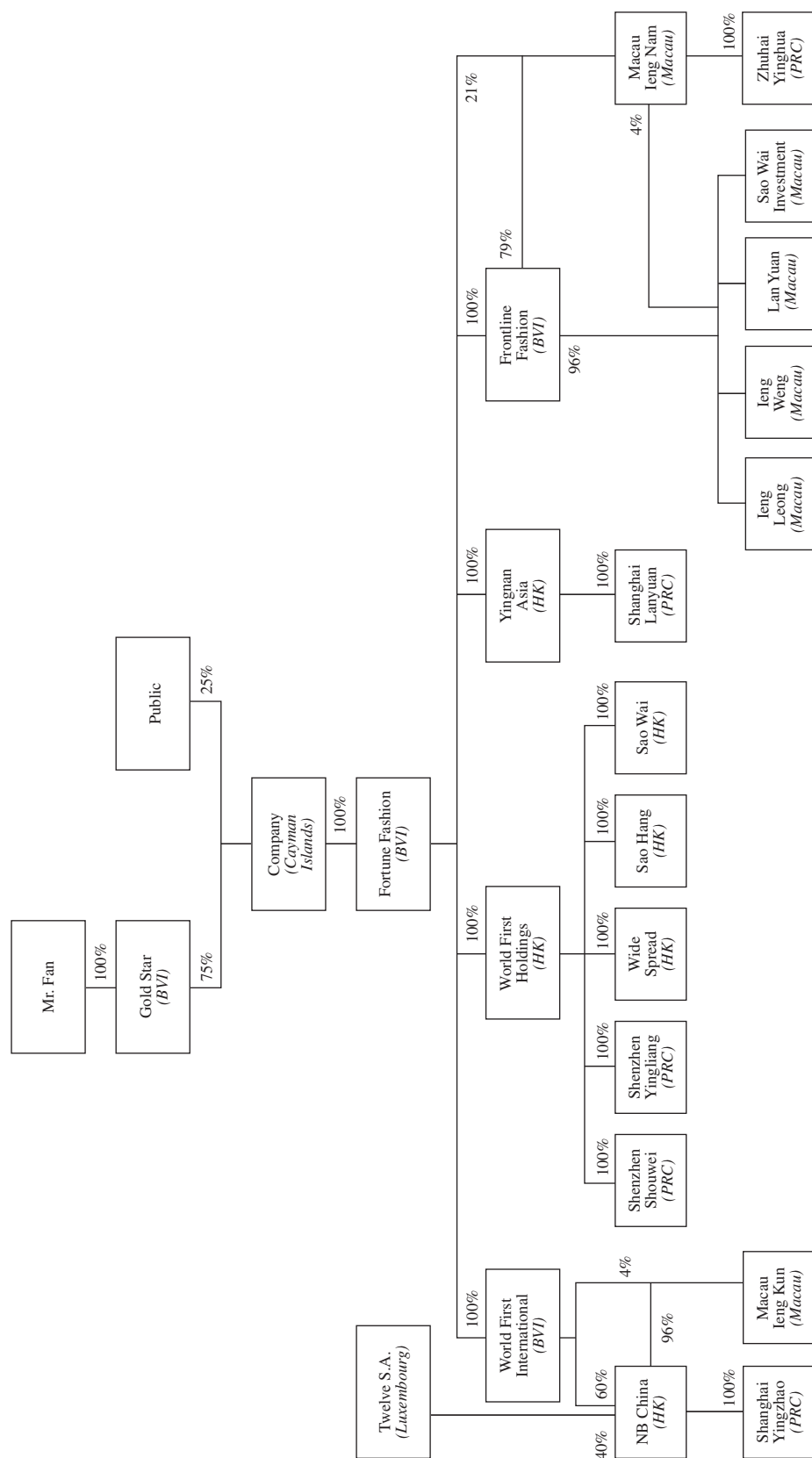
GLOBAL OFFERING AND CAPITALISATION ISSUE

Conditional on the conditions as stated in the section headed “The Structure of the Global Offering” in this prospectus, our Company will allot and issue Offer Shares pursuant to the Global Offering for subscription by public investors, representing not less than 25% of the total issued share capital of our Company upon the Listing.

Conditional on the conditions as stated in the section headed “The Structure of the Global Offering” in this prospectus and the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, HK\$2,999,994 standing to the credit of our Company’s share premium account will be capitalised by applying such sum to pay up in full at par 299,999,400 Shares for allotment and issuance as fully paid up Shares to Gold Star, representing 75% of the total issued share capital of our Company upon Listing.

CORPORATE STRUCTURE UPON LISTING

The following chart sets out the shareholding structure of our Group after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon exercise of any share option which may be granted under the Share Option Scheme):



OVERVIEW

Our Business. Founded in 2005, we principally engage in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model in Greater China. As at the Latest Practicable Date, we operated 215 retail stores in Mainland China, Macau, Hong Kong and Taiwan, of which our retail stores in Macau accounted for approximately 51.6%, 51.5%, 55.4% and 54.3% of our revenue for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019. According to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. As at the Latest Practicable Date, our brand portfolio had 113 brands, including 110 international brands and three our own brands. We opened mono-brand stores in Greater China for the brand such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *EA7*, *Ed Hardy*, *Hogan*, *Moschino*, *Neil Barrett*, *Philipp Plein*, *Tommy Hilfiger* and *Under Armour*, etc. Our own brands include *UM*, *UM•IXOX* and *IXOX*. As fashion apparel of international brands are sensitive to fast changing consumer preference, we continuously seek to expand our brand portfolio by adding new international brands for stylish and chic fashion apparel that appeal to the taste of our target customers and removing the brands which are facing declining consumer demand.

Our merchandise. During the Track Record Period, we offered different categories of mid-to-high end fashion apparel with a diverse brand mix at different retail price and targeted at different customer groups. To complement the retail of fashion apparel, we also retail footwear, cosmetic and skincare products and lifestyle products of international brands to enrich our merchandise selection to cater for our target customers. Fashion apparel is seasonally driven. Our sales performance is subject to seasonal fluctuations. We carefully strategize the timing to merchandise new fashion apparel in our retail stores to take advantage of peak seasonal demand. We usually identify and select new fashion apparel and styles two to three seasons ahead of the time the merchandise arrives at our retail stores.

Our sales channels. We sell our fashion apparel and other lifestyle merchandise predominantly through our diverse self-operated retail stores, which accounted for approximately 95.2%, 94.5%, 95.0% and 93.3% of our revenue during the Track Record Period. Of our 215 self-operated retail stores as at the Latest Practicable Date, 182 retail stores are mono-brand stores which are operated under the brand name of the merchandise to cater to a specific demographic; and 33 retail stores are multi-brand stores which offer a broad assortment of fashion apparel and other lifestyle merchandise of different brands to attract a wider customer base. Most of our retail stores are strategically located in high-end shopping malls, department stores or free-standing premises in prime locations in different regions in Greater China to attract more customers and maintain the premium image of the brands. To leverage our retail network and our diversified brand portfolio to help increase the foot traffic and maintain the image of their shopping malls, the landlords of these high-end shopping malls are generally willing to treat us as their anchor tenant. We also generate a lesser portion of our revenue from wholesaling *Neil Barrett* brand ready-to-wear apparel to our two sub-distributors in Mainland China; providing store management services to the owners or master/authorised licensors of

BUSINESS

international brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* for their retail stores in Macau; and selling *CK CALVIN KLEIN* branded products in Mainland China on a consignment basis in 2019.

We set out herein below a breakdown of our revenue generated from different sales channels for the years and periods indicated:

	For the seven months ended 31 July									
	FY2016		FY2017		FY2018		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales channels										
Retail stores	904,360	95.2	1,008,323	94.5	1,278,616	95.0	720,521	95.3	832,268	93.3
Managed stores (Note 1)	32,490	3.4	32,396	3.0	29,256	2.2	17,683	2.3	20,078	2.3
Consignment (Note 2)	–	–	–	–	–	–	–	–	28,493	3.2
Wholesale	13,298	1.4	25,911	2.5	36,993	2.8	18,166	2.4	11,032	1.2
Total	950,148	100.0	1,066,630	100.0	1,344,865	100.0	756,370	100.0	891,871	100.0

Notes:

1. The revenue includes service fees and the commission paid to us for our store management services for the retail stores of *Calvin Klein Performance*, *Calvin Klein Jeans* and *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* in Macau during the Track Record Period.
2. The revenue includes consignment fee generated from the sales of *CK CALVIN KLEIN* products in Mainland China pursuant to a consignment arrangement between the master licensor of the brand and our Group in 2019 on a temporary basis, which was ceased after the Track Record Period and as at the Latest Practicable Date.

Our revenue and growth. During the Track Record Period, we achieved growth in our revenue, which amounted to approximately HK\$950.1 million, HK\$1,066.7 million, HK\$1,344.9 million and HK\$891.9 million, respectively. Our total revenue increased by approximately HK\$394.8 million from FY2016 to FY2018, representing a CAGR of approximately 19.0%. Our gross profit increased from approximately HK\$495.3 million for FY2016 to approximately HK\$590.0 million for FY2017 and to approximately HK\$730.4 million for FY2018. Our gross profit increased from approximately HK\$406.0 million for the seven months ended 31 July 2018 to approximately HK\$474.0 million for the seven months ended 31 July 2019. Our net profit increased from approximately HK\$5.8 million for FY2016 to approximately HK\$60.2 million for FY2017 and to approximately HK\$108.6 million for FY2018. Our net profit decreased from approximately HK\$51.7 million for the seven months ended 31 July 2018 to approximately HK\$30.0 million for the seven months ended 31 July 2019. For detailed discussion and analysis of our financial performance during the Track Record Period, please refer to the paragraph headed “Financial Information – Results of Operations” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors consider that the following competitive strengths have contributed to our success:

Our multi-brand and multi-store business model can satisfy and match varying needs and requirements of both our landlords and brand owners and provide value-added services to them

Our Directors believe that our ability to bring in fashion apparel and lifestyle merchandise of a large portfolio of established and up-and-coming international brands to the high-end shopping malls and department stores through our multi-brand or mono-brand retail stores would provide value-added services to the landlords of shopping malls and department stores and thus enhance our bargaining power with them, particularly when they are looking for tenants which can help increase the foot traffic and enhance the image of their shopping malls. According to the F&S Report, real estate developers and property companies operating shopping malls are willing to collaborate with retailers with diversified brand portfolio like our Group. Therefore, our Directors believe that our Group has relatively strong bargaining power in negotiating for a strategic location and better rental terms for opening retail stores and some landlords of high-end shopping malls are generally willing to treat us as their anchor tenant. For instance, some of them are agreeable to receive revenue rental from us without requiring us to pay a minimum fixed rental. In some other instances, landlords of some high-end shopping malls in the Mainland China and Macau subsidised us with part of the renovation costs of our retail stores in its shopping mall as incentives to us in opening retail stores there.

Attributed to our ability to secure strategic store location for opening our retail stores in high-end shopping malls with favourable terms from the landlords or the operators thereof and, coupled with our proven track record, we have become the brand owners' long-term and attractive partner to expand the sales of their fashion apparel or develop the image of their brands in Greater China.

On the other hand, our multi-brand and multi-store business model also creates positive brand synergies to the extent that it increases the chance of cross-selling by allowing customers to make purchase among different brands offered by us for themselves, their family members and friends at various ages and stages for different occasions.

In light of the above, our Directors believe that our multi-brand and multi-store business model creates synergistic effect that enhance our respective bargaining power in negotiation with landlords and brand owners.

We have an established network of retail stores covering selected strategic geographic locations

While our fashion apparel and lifestyle products are mainly from international renowned brands, our customers prefer to personally shop at our retail stores instead of shopping online. Hence, we focus on the performance of our retail stores and ensure that they are at strategic geographic locations. We adopt a flexible and practicable approach in operating our retail stores by closely monitoring the performance of each retail store and taking timely action to maintain the overall performance of our retail network. If a retail store does not perform as we have expected, we will find out the reasons that led to its underperformance and try to devise the ways to improve its performance. If in vain or the reasons for its underperformance are beyond our control, we will relocate the retail store to a more suitable location or close it to reduce further loss. Our Directors are of the view that it is of paramount importance for the success of our fashion brick and mortar operations to identify suitable location for operation of our retail stores. With the capabilities to identify suitable strategic geographic locations for our retail stores, the revenue generated from our retail sales increased significantly from approximately HK\$904.4 million for FY2016 by 11.5% to approximately HK\$1,008.3 million for FY2017, and further by 26.8% to approximately HK\$1,278.6 million for FY2018.

As at 31 December 2016, 2017 and 2018, 31 July 2019 and the Latest Practicable Date, we operated 188, 184, 221, 225 and 215 retail stores, respectively, in Greater China, comprising both mono-brand stores and multi-brand stores. All these retail stores are self-operated and most of them are located in high-end shopping malls, department stores and free-standing premises in prime locations to attract our target customers, and maintain the premium image of the brands of our merchandise. Our retail store network in Macau covers the major casinos and resorts. Our retail stores in Mainland China are scattered in high-end shopping malls such as the Mixc (深圳萬象城), SKP Beijing (北京SKP), Jing An Kerry Centre (靜安嘉里中心), Taikoo Hui Guangzhou (廣州太古匯) and Chengdu IFS (成都國際金融中心), mostly located in Tier 1, New Tier 1 and Tier 2 cities as well as selected Tier 3 cities. In Hong Kong, our retail stores are located in free-standing premises, shopping malls and a department store in prime shopping areas including Causeway Bay, Tsim Sha Tsui, Wan Chai and major local shopping areas such as Kwun Tong, Shatin and Olympic City.

Our Directors believe that our flexible and practicable approach in operating our retail stores and our established network of retail stores covering strategic geographic locations in Greater China had attributed to the success of our brick and mortar operations and increase our revenue during the Track Record Period. Such established retail network also attracts brand owners or their master/authorised licensors who wish to roll out or expand their brands in Greater China markets whereby they may first open retail stores in Macau to establish their presence in Greater China, and then expand their retail network to Mainland China, Hong Kong and Taiwan.

We maintain leading position in the apparel retail market in Macau

According to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3% though the apparel retail market in Macau is diversified and the top five apparel distributors only occupied 11.5% of the total market in terms of retail sales value in 2018.

It is noted from the F&S Report that the apparel retail market in Macau had grown at a CAGR of 9.5% from 2013 to 2018 whereas the growth of the apparel retail market during the corresponding years in other parts of Greater China including Mainland China, Taiwan and Hong Kong was only at a CAGR of 8.8%, 2.8% and -1.1%, respectively. Furthermore, according to the F&S Report, the total sales value of apparel retail market in Greater China is expected to grow from HK\$3,686.3 billion in 2019 to HK\$4,973.1 billion in 2023 with a CAGR of 7.8%; and the total sales value of apparel retail market in Macau is expected to grow from HK\$20.4 billion in 2019 to HK\$34.3 billion in 2023 with a CAGR of 14.0%, whereby the forecasted growth of the apparel retail market in Macau is above the corresponding growth in other parts of the Greater China.

Hence, by expanding our fashion apparel retail business in Macau and opening retail stores offering mid-to-high end fashion apparel of established and up-and-coming international brands to different customer groups in alignment with the opening of world-class casinos and resorts in Macau in the past ten years, we had successfully ridden on the economic growth of Macau at the same time.

On the other hand, considering that visitors to Macau are for a variety of entertainment and leisure reasons, including gaming, shopping and sight-seeing, it is crucial to the success of our fashion apparel retail business in Macau if we can maintain long-standing business relationship with the landlords of high-end and premium shopping malls near world-class casinos and resorts that attract affluent customers seeking for stylish and chic fashion apparel and secure retail spaces in these shopping malls. As at the Latest Practicable Date, we operated 74 retail stores in Macau, including 64 self-operated retail stores and 10 retail stores to which we provided store management services and most of them are strategically located in high-end shopping malls and complexes, of which six retail stores are located in the shopping malls ancillary to The Four Seasons Hotel, 13 retail stores in Galaxy Macau (銀河綜合度假城), a casino resort located in Cotai Strip, 13 retail stores in The Venetian Macao (澳門威尼斯人度假村酒店大運河購物中心), a luxury hotel and casino resort located in Cotai Strip, five retail stores in The Parisian Macao (澳門巴黎人購物中心), a luxury hotel located in Cotai Strip, seven retail stores in Sands Cotai Central (金沙城中心廣場), an international casino resort located in Cotai Strip, eight retail stores in MGM Cotai (美高梅), an international casino resort located in Cotai Strip, two retail stores in MGM Macau (澳門美高梅), an international casino and entertainment centre located in Zona de Aterros do Porto Exterior, six retail stores in Studio City Macau (新濠影匯), a hotel and casino resort in Cotai Strip, five retail stores in One Central (壹號廣場), a waterfront hotel development located in Novos Aterros do Porto Exterior, and one retail store located in New Oriental Landmark Hotel. There are seven retail stores in Emperor

Nam Van Centre (澳門英皇南灣中心) located in Avenida do Infante D. Henrique, for the sale of off-season products, and one retail store in a standalone property located in Avenida Dr. Mario Soares.

According to the F&S Report, Macau is the only location in China to offer legalised casino gaming, our capabilities in establishing our retail stores in the high-end shopping malls and complexes that are attached to or near world-class casinos and resorts featuring the icons or popular scenic spots in Macau also led to the growth of our business during the Track Record Period. As more infrastructure, theme park and resort destinations are expected to be completed in Macau in the next five years, Macau is expected to be developed into an all-inclusive resort destination. As such, non-gaming amenities, such as retail, conventions and entertainment offerings that are complementary to each other and to the gaming facilities in Macau, would be an integral component of the future development of Macau. Our Directors believe that by having established a footprint in the apparel retail market in Macau, we will be well placed to take advantage of opportunities presented by this trend in Macau.

Our brand portfolio has over 100 renowned international brands covering a wide selection of fashion apparel and lifestyle merchandise

By adopting a multi-brand and multi-store business model, we offer fashion apparel and other lifestyle merchandise of a wide range of international brands that cater to different needs and tastes of our affluent customers. In respect of the fashion apparel in our retail stores, it covers men's wear, women's wear and children's wear.

Our fashion apparel include social apparel, suits, outerwear, intimate lingerie, athleisure wear and sportswear. We also offer high-quality athleisure and performance sports apparel and sportswear under the brands like *Calvin Klein Performance*, *Under Armour* and *LI-LING* to cater for customers who are keen to develop a more health conscious lifestyle and increase their participation in sports activities.

While most of our distribution rights are granted to us on a non-exclusive basis, the owners of some major international brands including *Neil Barrett*, *Ed Hardy*, *Ed Hardy X*, *CK CALVIN KLEIN* and *Moschino* have granted certain limited degree of exclusivity to us in our distribution agreements with them in retailing their apparel products in the designated shopping malls, areas or territories in the Greater China.

In April 2015, we entered into a cooperation agreement with the brand owner of *Neil Barrett*, an international renowned fashion brand in Europe, for the promotion, marketing and distribution of the *Neil Barrett* branded ready-to-wear apparel in Macau and Mainland China on an exclusive basis through NB China, a company established by us and the brand owners. For details of this cooperation arrangement, please refer to the paragraph headed "Suppliers – Cooperation with *Neil Barrett*" in this section. This cooperation arrangement has further strengthened our relationship with the brand owner of *Neil Barrett*.

To complement the sale of fashion apparel, we also offer footwear, cosmetic and skincare, designer home accessories, artistic ornaments and other lifestyle products in our retail stores. The wide spectrum of our merchandise enables us to attract a diverse customer base who are affluent and in pursuit of a chic and stylish lifestyle.

To expand our merchandise selection, we started retailing *LA MAISON DU CHOCOLAT*, a renowned artisan chocolate brand originated from France in the Macau market in 2015. On the other hand, leveraging our understanding on the taste of our target customers and our multi-brand development and execution capabilities, with the opening of *WF Fashion*, our multi-brand store, in January 2019, our Group further enriched our lifestyle merchandise selection by introducing designer furniture, designer home accessories and ornaments, and home aromatic products.

Attributed to our diversified brand portfolio and our success in promoting both established and up-and-coming brands in our retail stores, brand owners or master/authorised licensors of international renowned brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Tommy Hilfiger* and *Roberto Cavalli* have engaged us to provide store management services to their retail stores in Macau and, at the same time, we opened and operated mono-brand stores for some of these brands in Mainland China.

We have an experienced senior management and stable and dedicated workforce

Our Group is led by Mr. Fan, our founder, one of our Controlling Shareholders, chairman and executive Director, together with an experienced and dedicated management team with extensive operational expertise and in-depth understanding of the apparel retail industry in Greater China. Mr. Fan's good fashion sense and insight in fashion trend have laid a strong foundation for our business and have taken us from our inception to the current prosperity of our business. Mr. Fan is mainly responsible for our business development and brand selection. Furthermore, our Group also benefits from the substantial experience of Ms. Chen, our chief executive officer and executive Director, in retail store operation and management, who is responsible for dealing with brand owners and landlords of our retail stores. Mr. Kevin Trantallis, our chief financial officer, company secretary and executive Director, has over 15 years of experience in fashion industry. Apart from their experience in apparel retail industry which can help our Group develop long-standing business relationship with international brand owners and the landlords of high-end shopping malls, our senior management team members are also acquainted with our customers' shopping habits and predict our customers' shopping needs when we look for new brands and formulate our retailing strategies for capturing new markets while maintaining our existing markets. Under the leadership of our senior management team, we have grown into a well-established fashion apparel retail company in Greater China with a high degree of product differentiation, a broad brand portfolio and stores strategically located in premium locations in Greater China.

Apart from capitalizing on the wealth of experience of Mr. Fan, Ms. Chen and Mr. Kevin Trantallis, our management team also comprised young and dynamic members including Mr. Fong Yat Ming and Ms. Fan Tammy with vision and passion to be trendsetters in fashion to support our founder and senior management team.

We also have a workforce who work on all levels of our operations across headquarters level, regional level and retail store level of our operations. Believing that our employees are key assets to our business, we aim to provide our employees with ample career development opportunities and training supports and we have achieved a relatively stable and dedicated workforce.

Attributed to the expertise and in-depth knowledge of our management team and a stable and dedicated workforce, we believe that we are well-positioned to achieve further growth and to take advantage of the various market opportunities in the future. For further details of our Directors and senior management, please refer to the section headed “Directors and Management” in this prospectus.

BUSINESS STRATEGIES

Our business objectives are to consolidate our leading position in the apparel retail industry in the Greater China and expand both our retail network and brand portfolio in order to enhance our overall competitiveness. To achieve our business objectives, we will implement the following business strategies:

I. Continue to expand the geographic coverage of our retail stores in Greater China

According to the F&S Report, Greater China is the largest apparel retail market in the world in 2018 with a market share of 20.4% in terms of retail sales value. It is estimated that Greater China’s share in apparel retail market in the world will keep rising and will reach 21.7% by 2023. With the increasing demand on fashion apparel driven by higher brand awareness among people in Greater China as well as the rapid development of tourism industry in Hong Kong and Macau, the total sales value of apparel retail market in Greater China is forecasted to further grow to HK\$4,973.1 billion in 2023 from HK\$3,686.3 billion in 2019, indicating a CAGR of 7.8%.

As approximately 95.2%, 94.5%, 95.0% and 93.3% of our revenue was generated from the sales of our retail stores during FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, our retail stores remain our major sales channel. We therefore strive to continuously expand our retail network to capture a wider customer base and deepen the market penetration of our fashion apparel and lifestyle products by expanding our retail network in the Greater China.

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In light of the above, we plan to continue to expand the geographic coverage of our self-operated retail stores by opening 51 new retail stores consisting of 41 mono-brand stores and ten multi-brand stores, for various brands between the Listing Date and 31 December 2021.

It is always our business strategy to broaden our retail network by opening more retail stores at suitable locations to enhance penetration of our retail stores and expand their geographic coverage. The breakdown of the proposed new 51 retail stores based on geographic locations in Greater China is as follows:

Regions	No. of proposed new retail stores	Breakdown of the new retail stores
Mainland China	34	28 mono-brand stores and 6 multi-brand stores
Macau	15	11 mono-brand stores and 4 multi-brand stores
Hong Kong	2	2 mono-brand stores
Total	51	41 mono-brand stores and 10 multi-brand stores

Mainland China

According to the F&S Report, the sales value of apparel retail market in Mainland China will continue to grow at a CAGR of 7.9% from 2019 to 2023, increasing from HK\$3,477.1 billion in 2019 to HK\$4,710.2 billion in 2023. The disposable income per capita for Mainland China residents reached HK\$33,500 in 2018, increased from HK\$21,800 in 2013 at a CAGR of around 9.0%. Driven by the rising earnings and further improvement on people's living condition, people in Mainland China will tend to spend and consume more on fashion apparel. Furthermore, the prosperity of E-commerce business as well as the increasing health awareness among people in Mainland China and the increasing popularity of sports in Mainland China are also the major drivers of the apparel retail market in Mainland China. According to F&S Report, sales value of mid-end and high-end apparel retail markets is expected to grow to HK\$1,225.7 billion and HK\$484.8 billion by 2023 from HK\$896.6 billion and HK\$366.2 billion in 2019, respectively, with a CAGR of 8.1% and 7.3%, respectively. Given the size of Mainland China market, we believe that there is still ample room of growth for our apparel retail business.

We plan to open 34 retail stores in Mainland China, of which 28 will be mono-brand stores for some of our major international brands in different Tier 1, New Tier 1, Tier 2 and Tier 3 cities and six will be multi-brand stores under the name of *UM*, *UM Junior* and *WF Fashion* by 31 December 2021.

These new retail stores will focus on offering mid-to-high end apparel, specially athleisure and minimalistic wear of international renowned brands, to attract a younger, more fashion-forward demographic. The brands for these new retail stores in Mainland China include *Adolfo Dominguez*, *Neil Barrett*, *Under Armour*, *CK CALVIN KLEIN*, *Calvin Klein Performance*, *Calvin Klein Jeans*, *EA7*, *Tommy Hilfiger* and *Tommy Jeans*.

Macau

According to the F&S Report, driven by the tourism industry recovery in Macau with increasing spending from tourists, the PRC central government's supports in developing Macau to be a world-class tourism and leisure hub as mentioned in The Development Plan for Guangdong-Hong Kong-Macao Greater Bay Areas (粵港澳大灣區發展規劃綱要), Macau's open economy with well-developed tourism and gaming industries and multi-cultural society and the higher income level of the local residents in Macau, it is expected that the sales value of apparel retail market in Macau will grow rapidly at the CAGR of 14.0%, reaching HK\$34.3 billion in 2023 from HK\$20.4 billion in 2019. The sales value of mid-end and high-end apparel retail markets is expected to increase to HK\$14.2 billion and HK\$6.6 billion in 2023 from HK\$8.4 billion to HK\$3.9 billion in 2019, respectively, at a CAGR of 14.1% and 14.2%, respectively.

We plan to open 15 new retail stores in Macau, of which 11 are mono-brand stores for a variety of international brands and four are multi-brand stores under the name of *UM*, *UM Junior* and *WF Fashion* in Macau before 31 December 2021. Currently, the penetration level of our apparel retail stores in Macau is relatively high and according to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. Despite the relative maturity of our apparel retail business in Macau, our Directors are of the view that the mid-to-high end apparel retail market in Macau is far from saturation and we therefore plan to continue to open new apparel retail stores at a steady rate over years. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, we had opened 16, eight, 17 and six new retail stores in Macau.

In respect of these 15 new retail stores, four are intended to be flagship stores of our existing brands or store names, including *Neil Barrett*, *UM*, *UM Junior* and *WF Fashion* that showcase an assortment of *Neil Barrett* products and high-end fashion apparel and luxury lifestyle products selected from our collection of international brands, designer label brands, up-and-coming brands and our own brands *UM*, *UM•IXOX* and *IXOX*.

In respect of the 11 new mono-brand stores to be opened in Macau, we will focus on both popular and up-and-coming brands which are reasonably affordable among our target customers who are upper-middle-class youth and business executive that live a certain lifestyle and are fashion-centric and are not price sensitive when it comes to splurging on fashion. Our Directors contemplate that the brands for these new mono-brand stores will include *Under Armour*, *Stella McCartney*, *Sergio Rossi*, *Marni*, *Moschino*, *Hogan*, *CK CALVIN KLEIN*, *Ed Hardy*, *Love Moschino* and Brand B (a designer label fashion brand founded by a designer in Spain offering high-end women's fashion) or such other

international brands that our Directors think that they have potential to gain more popularity among our target customers.

Hong Kong

According to the F&S Report, driven by the tourism industry recovery in Hong Kong and the people in Hong Kong's diversified fashion taste and pursuit, coupled with their brand-awareness and the well-developed apparel industry chain in Hong Kong (including logistics, procurement, design, quality control and finance) which creates a sound business environment for apparel market and makes people in Hong Kong lead the fashion trend in Greater China. As such, according to the F&S Report, that the sales value of mass, mid-end and high-end apparel retail markets in Hong Kong is expected to reach HK\$42.5 billion, HK\$41.6 billion and HK\$19.4 billion in 2023 from HK\$31.5 billion, HK\$30.9 billion and HK\$14.3 billion in 2019, respectively, with a CAGR of 7.8%, 7.7% and 7.9%, respectively.

We intend to open two mono-brand stores (one for *Ed Hardy* and one for *Under Armour*) in Hong Kong. *Ed Hardy* is one of our best-selling brands in Macau and we plan to further promote this brand in Hong Kong. At the same time, our sales on *Under Armour* athleisure and performance sports apparel had witnessed a significant growth in Hong Kong. We therefore intend to expand the sales of these two brands in Hong Kong. To avoid the impact of cannibalisation, these two new retail stores will not be located on the same district of existing retail stores or in close proximity (which from our Directors' point of view, refers to two retail stores that are within 15 to 30 minutes' driving distance) to the existing retail stores in the same district.

Potential impact of the U.S. – China trade tensions and recent social political situation in Hong Kong on our expansion plan

In the face of the difficult external environment intensified by further escalation of the U.S.-China trade tensions; and the continuing social unrest in Hong Kong since June 2019, our Directors expect that the retail business in Greater China, particularly, Hong Kong, would be hit. According to the Third Quarterly Report published by the Hong Kong Economy, the Hong Kong economy witnessed an abrupt deterioration in the third quarter of 2019, as the local social incidents dealt a very severe blow to an economy already weakened by a synchronised global economic slowdown and US-China trade tensions. After growing mildly by 0.4% in the second quarter, the economy contracted by 2.9% in the third quarter from a year earlier, marking its first year-on-year decline since 2009. On a seasonally adjusted quarter-to-quarter comparison, real GDP in Hong Kong contracted significantly by 3.2% in the third quarter after a 0.5% decline in the preceding quarter, indicating that the economy has entered a recession. Notwithstanding the impact of U.S.-China trade tensions and the recent social unrest in Hong Kong, our Directors are of the view that there is still sufficient market demand to support our Group's business strategies going forward due to the following reasons:

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- (i) *Our retail business focuses on the markets in Mainland China and Macau rather than Hong Kong*

For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, approximately 44.5%, 42.1%, 36.7% and 36.6% of our revenue of our retail stores was generated from Mainland China; and approximately 54.2%, 54.5%, 58.3% and 57.6% of our revenue of our retail stores was generated from Macau, leaving approximately 1.3%, 3.4%, 5.0% and 5.8% of our revenue of our retail stores generated from Hong Kong and Taiwan. According to the F&S Report, the recent intense socio-political situation in Hong Kong has resulted in a decline in number of tourists traveling to Hong Kong, which has further affected Hong Kong's retail industry. However, Hong Kong only takes around 2% of the total apparel retail market of the entire Greater China in 2018, and our Group's revenue is mainly contributed by Macau and Mainland China, our Directors therefore believe that the socio-political situation in Hong Kong has limited impact on apparel retail market in Greater China as well as our Group's business. Nevertheless, we have adopted a prudent approach by opening only two new retail stores for our existing popular international brands in Hong Kong out of the 76 new retail stores (51 under existing brands/store names and 25 under new/recently operated brands). These two existing popular international brands, one being *Under Armour* and the other being *Ed Hardy*, which are gaining more popularity in Greater China that, our Directors believe, can attract a stable group of customers in Hong Kong. Our expansion plan in opening just two new retail stores in Hong Kong is therefore commensurate with our prudent business plan in this respect.

- (ii) *Most of our new retail stores are strategically located in Greater Bay Area or Tier 1 cities in the PRC*

Out of the 51 new retail stores to be opened for our existing brands, 38 new retail stores are to be opened in Greater Bay Area and the breakdown of which are as follows:

Regions in the Greater Bay Area	No. of new retail stores
Dongguan	3
Foshan	5
Guangzhou	2
Huizhou	3
Zhuhai	3
Jiangmen	5
Macau	15
Hong Kong	2
Total	38

Our Directors believe that the Greater Bay Area has strong potential for the retail of our fashion apparel of international brands business and thus, a majority of our new retail stores will be opened in the cities in the Greater Bay Area. According to the F&S Report,

though the Greater Bay Area's land mass takes up less than 1 per cent of the aggregate area of the PRC, it accounts for approximately 12 per cent of the national GDP. In 2017, it added US\$1.5 trillion (equivalent to approximately HK\$11.77 trillion) to the Chinese economy.

Some of the world's busiest container harbours are in the Greater Bay Area, with Shenzhen, Guangzhou and Hong Kong ranked in the world's top 10 container ports measured by twenty-foot equivalent unit (TEU) sea containers. With the opening of the Hong Kong-Zhuhai-Macau Bridge, the world's longest sea crossing, visitor arrivals in Macau have increased to 3.4 million tourists in January 2019.

According to the development plan for Guangdong-Hong Kong-Macau Greater Bay Area 《粵港澳大灣區發展規劃綱要》, it is planned to build a high-tech innovation platform in Greater Bay Area, e.g. to support Hong Kong to develop research centres regarding logistics management technologies, textile and garment, IT, etc. Furthermore, the Greater Bay Area will be developed into a world-class tourism site and the construction of tourism facilities and infrastructures as well as the public services system will be improved; and free trade zones in Hengqin Island and Zhuhai will be built to support deep collaborations among Guangdong, Hong Kong and Macau.

As a majority of our new retail stores are to be opened in the Greater Bay Area where each of the multiple cities therein such as including Hong Kong, Macau, Shenzhen, Guangzhou, Huizhou, Zhuhai and Foshan etc, has its advantages in terms of geographic location; economic and infrastructure development, and these cities are to cluster to create sizeable areas of economic strength, our Directors take the view that our business expansion can ride on the success and prosperity of the Greater Bay Area.

(iii) Our fashion apparel are mainly imported from Europe or countries outside the U.S.

Owing to the trade tension between the U.S. and China, the PRC government announced in May 2019 the "Announcement of the Customs Tariff Commission of the State Council on Imposing Additional Tariffs on Some Imported Goods Originating from the U.S." (《國務院關稅稅則委員會關於對原產於美國的部分進口商品提高加征關稅稅率的公告》) to increase tariff rate charged on imported commodities which is produced in U.S. After the announcement, tariff rate applicable to apparel ranges from 10% to 25%. According to the F&S Report, most of apparels are produced in Mainland China or Southeast Asia, the U.S.-China trade tension impact on the apparel retail market is therefore regarded as insignificant in Mainland China. Besides, there is also no significant evidence to show that consumer sentiment on purchasing international apparel brands (including U.S. brands) has been affected by trade war event. In light of the above coupled with the fact that most of our fashion apparel are imported from Europe and countries outside the United States, our Directors are of the view that the trade tension between U.S. and China would not adversely affect our expansion plan.

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The table below sets forth a breakdown of our purchase costs by the geographical location of our suppliers:

Geographic location of supplier	FY2016		FY2017		FY2018		The seven months ended 31 July 2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	210,785	50.2	258,433	56.7	356,646	53.7	267,995	51.6
Italy	104,599	24.9	120,762	26.5	136,115	20.5	123,718	23.8
Switzerland	4,866	1.1	10,090	2.2	26,310	4.0	39,776	7.7
U.S.	–	–	–	–	–	–	276	0.1
Others ^(Note)	99,875	23.8	66,572	14.6	144,571	21.8	87,422	16.8
	<u>420,125</u>	<u>100.0</u>	<u>455,857</u>	<u>100.0</u>	<u>663,642</u>	<u>100.0</u>	<u>519,187</u>	<u>100.0</u>

Note: Others consisted mostly of European countries such as Belgium, Spain, France, Germany and Norway, etc.

Expenses for opening new retail stores

To open a new retail store, we primarily incur costs of interior design and renovation and payment of rental deposit. The size of our sales floor area for each of our new retail store is expected to be 150 sq.m. to 500 sq.m., depending on the terms of the leases we will enter into with individual potential landlords.

Subject to various factors such as local market condition, the positioning of different brands, availability of desirable premises at reasonable rental, customers' preference towards our brands, our negotiations with the respective brand owners and landlords, the following tables set forth the summaries with the number of retail stores and the size of these retail stores that we propose to operate before 31 December 2021.

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A. Opening of 41 mono-brand stores

We intend to open a total of 41 new mono-brand stores by 31 December 2021. Details of these new retail stores and the breakdown of our estimated expenses are as follows:

Mainland China

Region	Brands (Note 1)	No. of stores	Proposed total sales floor area (Note 2) sq.m.	Estimated rental deposit (Note 3) HK\$'000	Estimated renovation cost (Note 4) HK\$'000	Subtotal HK\$'000
Dongguan	Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger	3	450	216	2,592	2,808
Foshan	EA7, Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger, Brand B (Note 5)	5	750	360	4,320	4,680
Guangzhou	Brand B (Note 5), EA7	2	300	536	1,728	2,264
Wuhan	Calvin Klein Jeans, Calvin Klein Underwear	2	300	192	1,728	1,920
Guilin	Calvin Klein Jeans, Calvin Klein Underwear	2	300	144	1,728	1,872
Liuzhou	Calvin Klein Jeans, Tommy Hilfiger	2	300	144	1,728	1,872
Huizhou	Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger	3	450	216	2,592	2,808
Haikou	Neil Barrett	1	150	72	864	936
Zhuhai	Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger	3	450	495	2,592	3,087

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Region	Brands (Note 1)	No. of stores	Proposed total sales	Estimated rental deposit	Estimated renovation cost	Subtotal
			floor area (Note 2) sq.m.	(Note 3) HK\$'000	(Note 4) HK\$'000	
Jiangmen	EA7, Calvin Klein Jeans, Calvin Klein Underwear, Tommy Jeans, Brand B	5	750	360	4,320	4,680
Total		28	4,200	2,735	24,192	26,927

Macau

Brands (Note 1)	No. of stores	Proposed total sales	Estimated rental deposit	Estimated renovation cost	Subtotal
		floor area (Note 2) sq.m	(Note 3) HK\$'000	(Note 4) HK\$'000	
CK CALVIN KLEIN	1	150	331	2,271	2,602
Ed Hardy	1	150	331	2,271	2,602
Hogan	1	150	331	2,271	2,602
Love Moschino	1	150	331	2,271	2,602
Marni	1	150	331	2,271	2,602
Moschino	1	150	331	2,271	2,602
Neil Barrett	1	150	331	2,271	2,602
Stella McCartney	1	150	331	2,271	2,602
Sergio Rossi	1	150	331	2,271	2,602
Under Armour	1	150	331	2,271	2,602
Brand B (Note 5)	1	150	331	2,271	2,602
Total	11	1,650	3,641	24,981	28,622

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Hong Kong

Brands	No. of stores	Proposed total sales floor area (Note 2) sq.m	Estimated rental deposit (Note 3) HK\$'000	Estimated renovation cost (Note 4) HK\$'000	Subtotal HK\$'000
Ed Hardy	1	150	360	1,255	1,615
Under Armour	1	150	360	1,255	1,615
Total	2	300	720	2,510	3,230

Notes:

1. The brands to be carried by our proposed new mono-brand stores in Mainland China and Macau may be changed, depending on the fashion trend, the relevant brand's market recognition and the brand's target customers and the views of the landlord of the shopping mall towards the brand.
2. The proposed sales floor area represents our management team's assessment and estimation with reference to the size of our current retail stores in general and the area required for merchandise display, which will be subject to adjustment due to the actual size of the premises available, rental, the actual need of individual brand products and the result of negotiation with the relevant landlords.
3. The estimated rental deposit represents our management team's estimation based on the historical rental of our retail stores in the same region or in the nearby region, which will be subject to adjustment due to the size of the actual sales floor area of the retail stores, the condition of the local market, the actual rental and the result of negotiation with the relevant landlords.
4. The estimated renovation cost represents our management team's estimation based on the historical renovation expenses incurred for our retail stores per sq.m., which will be subject to adjustment due to the size of the actual sales floor area of the retail stores, the condition of the local market and the result of our negotiation with each of the relevant contractors and landlords without taking into account the subsidies, if any, provided by the landlords.
5. Brand B is designer label fashion brand founded by a designer in Spain offering high-end women's fashion.

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B. Opening of ten multi-brand stores

Of the 51 new retail stores to be opened by us by 31 December 2021, there will be a total of ten multi-brand stores for *UM*, *UM Junior* or *WF Fashion*. Details of these multi-brand stores and our estimated expenses are as follows:

Region/city	Store name	No. of stores	Proposed total sales floor area (Note 1) sq.m	Estimated rental deposit (Note 2) HK\$'000	Estimated renovation cost (Note 3) HK\$'000	Subtotal HK\$'000
Mainland China						
Beijing	<i>UM</i>	1	150	369	864	1,233
Shanghai	<i>UM</i>	1	150	457	864	1,321
Sanya	<i>UM</i>	1	150	881	864	1,745
	<i>UM Junior</i>	1	150	881	864	1,745
Haikou	<i>UM</i>	1	150	72	864	936
	<i>UM Junior</i>	1	150	72	864	936
Sub-total		6	900	2,732	5,184	7,916
Macau						
	<i>UM</i>	1	150	331	2,271	2,602
	<i>UM Junior</i>	2	300	662	4,542	5,204
	<i>WF Fashion</i>	1	500	1,104	7,571	8,675
Sub-total		4	950	2,097	14,384	16,481
Total		10	1,850	4,829	19,568	24,397

Notes:

1. The proposed sales floor area represents our management team's assessment and estimation with reference to the size of our current retail stores in general and the area required for merchandise display, which will be subject to adjustment due to the actual size of the premises available, rental, the actual need of individual brand products and the result of negotiation with the relevant landlords.
2. The estimated rental deposit represents our management team's estimation based on the historical rental of our retail stores in the same region or in the nearby region, which will be subject to adjustment due to the size of the actual sales floor area of the retail stores, the condition of the local market, the actual rental and the result of negotiation with the relevant landlords.
3. The estimated renovation cost represents our management team's estimation based on the historical renovation expenses incurred for our retail stores per sq.m., which will be subject to adjustment due to the size of the actual sales floor area of the retail stores, the condition of the local market and the result of our negotiation with each of the relevant contractors and landlords without taking into account the subsidies, if any, provided by the landlords.

Our ability to identify and procure sufficient suitable premises

In identifying suitable premises for operation of retail stores, we consider a number of factors such as our target customers demographics, the premises' accessibility, neighbouring tenants, the pedestrian and vehicular paths, availability of other amenity facilities and the reputation and foot traffic of the shopping malls or department stores. With a brand portfolio of 110 international brands that include designer label brands, popular global brands and up-and-coming brands, our Directors believe that it is not difficult for us to identify and procure suitable premises for opening of our retail stores as we can bring in fashion apparel and lifestyle merchandise of these brands to the shopping malls or department stores, which would help promoting the image of these shopping malls or department stores and increase their foot traffic.

Hence, our brand portfolio coupled with our long standing business relationship with the high-end shopping malls and department stores in Mainland China and Macau, our Directors believe that we have the ability to identify and procure suitable premises for the setting up of new retail stores.

Staff recruitment, logistics arrangements, warehouse utilisation and quality control

In alignment with the opening of 51 new retail stores for our existing brands and 25 new retail stores for new brands, we will recruit approximately 380 additional frontline salespersons, depending on the size of the retail stores and the implementation of our deployment arrangement of our existing staff. As the recruitment would span 14 different cities or regions over a period of two years, the pressure on our Group in staff recruitment would not be significant. The current regional store supervisors of the existing retail stores will be entrusted to manage the operation of the new stores in their respective regions or in the proximity regions which are under the supervision of the same regional office. Hence, apart from the recruitment of frontline salespersons, we do not intend to recruit additional manpower in both the regional and headquarter level for the management of our sales channels.

Most of our merchandise are delivered to the retail stores directly while only some of which are delivered to our warehouse for temporary storage. By closely monitoring the inventory level of our merchandise, our Directors are of the view that the setting up of 76 new retail stores would not significantly affect the utilisation of our existing warehouses nor the workload of the third-party logistics service providers. Furthermore, brand owners, their master/authorised licensors or, in the case of our own brands *UM*, *UM•IXOX* and *IXOX*, the OEM manufacturers are generally responsible for conducting quality control and tests on the merchandise before they are to be delivered to us, our sales team will only conduct visual inspection on the apparel and the merchandise as soon as the products have arrived at our retail stores or warehouse to ascertain if they have any visual defect and our sales team will check the product type and the number of merchandise arrived against the details set out in

our purchase orders. In view of the above arrangement, our Directors are of the view that the setting up of 76 new retail stores would not substantially affect the quality control of the merchandise.

Rationale for opening new stores under certain brands

We are cautious in selecting suitable brands for our new retail stores. To this end, we will analyze the demographics of individual brand's target customers including their gender, age and income level, their shopping needs and spending habit. Hence, though certain brands, including the popular global brands that offer trendy casual wear simplistic style or athleisure wear at affordable price, had recorded declining total sales or same store sales during the Track Record Period, our Directors notice that the declining trend was due to various reasons such as the brand owner's taking over the retail of their branded products in certain Tier 1 cities and as a result thereof, our revenue generated from this brand had declined; or the change of the major designer of the brand resulting in decreased business volume whereby it would take time for the brand to regain its popularity in the market. Our Directors believe that these brands would be well received by our target customers due to their established brand reputation in the fashion apparel industry.

The impact of our expansion plan on our profitability and liquidity

We fund the operation of our new retail stores primarily with our internal resources, the proceeds of the Global Offering and the net cash generated from our operations. The major cost components for operating the new retail stores include rentals, cost of inventories and staff costs. Taking into account the fact that the brands of these new retail stores either have proven track record or are renowned international brands that appeal to a stable group of customers, our Directors expected that the profit and cashflow generated by these new retail stores would be sufficient to sustain their operations and that these new retail stores can reach their respective Breakeven Point within the typical range of Breakeven Period, being two to seven months, two to five months and two to nine months in Mainland China, Macau and Hong Kong, respectively; and their respective Investment Payback Period within the typical range of Investment Payback Period, being two to 18 months, two to 16 months and eight to ten months in Mainland China, Macau and Hong Kong, respectively. Furthermore, we will closely monitor our cash flow position to ensure that we have sufficient working capital available to meet the operational needs of these new retail stores.

The basis we determine the optimal number of our retail stores in each market, and our measures for preventing potential cannibalisation between our new and existing retail stores in such markets

The number of retail stores to be opened in each market is, to a large extent, determined by the number of brands we have, and the popularity of individual brands,

the prevailing market sentiment, and the rental and other costs in operation of a retail store in the market. In the market in Mainland China, we focus on Tier 1, New Tier 1, Tier 2 and Tier 3 markets whereas in Macau, we focus on high-end shopping malls and complexes, particularly those that are ancillary to world-class casinos and resorts. In Hong Kong, our retail stores are opened in prime shopping areas and major local shopping areas.

To prevent cannibalisation between our new and existing retail stores, we will not open our new retail stores in the shopping mall or department stores that we have already had retail stores retailing the same brand of merchandise; and our new retail stores will not be located on the same district of existing retail stores or in close proximity (which from our Directors' point of view, refers to two retail stores that are within around 15 to 30 minutes' driving distance) to the existing retail stores in the same district. Furthermore, we ensure uniform pricing for the same product, be it sold in our existing retail stores or new retail stores.

Apart from capital expenditures for payment of rental deposit and renovation cost, opening of new retail stores entails additional operating expenses such as remuneration for additional manpower, increased inventory costs and marketing expenses. It is our plan to deploy some of our experienced management staff (who have been working with our mono-brand stores and/or multi-brand stores) to oversee the opening and operations of these new retail stores and we will also employ additional salespersons for their operation. All these operating expenses will be funded by our internal resources.

The expected amount to be incurred for payment of rental deposit and renovation cost in respect of the opening of new retail stores is approximately HK\$83.2 million, of which approximately HK\$17.4 million will be funded by our internal resources and the remaining approximately HK\$65.8 million will be funded by the proceeds of the Global Offering, representing approximately 50.3% of our net proceeds from the Global Offering. As to the timing of the implementation of these plans, please refer to the section "Future Plans and Use of Proceeds – Implementation Plans" in this prospectus.

II. Upgrade our existing retail stores

Our Directors believe that a retail store with attractive architectural detailing, harmonious lighting and visual merchandising can attract customers to walk in to our retail stores and further captivate them to purchase our merchandise through our product mix and displays. Hence, attractive interior design and decoration of our retail stores will facilitate our long-term growth momentum. We therefore place great emphasis on the interior design and renovation of our retail stores to not only showcase our fashion apparel and lifestyle merchandise but also provide our customers with enhanced and seamless shopping experiences. We mainly adopt contemporary design for our retail stores. For some mono-brand stores, we generally follow the design theme or plan of their respective brand

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owners in renovating the retail stores. We also upgrade and renovate our retail stores on a regular basis in order to promote the image of their brands and attract more potential customers to walk into our retail stores.

We plan to carry out renovation works for 19 existing retail stores in Macau and Mainland China with a view to either converting them into flagship stores or enhancing the image of the brands and their popularity. Based on the historical record of renovation costs, we set out below summaries of the retail stores where renovation works will be carried out:

Regions/ cities	No. of stores	Brands	Objective	Approximate total sales floor area <i>sq.m.</i>	Estimated renovation cost <i>(Note)</i> <i>HK\$'000</i>
Macau	1	<i>UM</i>	To convert it into flagship store	118	1,787
Beijing	1	<i>Neil Barrett</i>	To convert it into flagship store	124	714
Shenzhen	1	<i>UM</i>	To convert it into flagship store	65	374
Dongguan	2	<i>Calvin Klein Jeans, Calvin Klein Underwear</i>	The retail stores operated for over five years have to be renovated	250	1,438
Huizhou	2	<i>Calvin Klein Jeans, Calvin Klein Underwear</i>	The retail stores operated for over five years have to be renovated	181	1,040
Nanning	3	<i>Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger</i>	To enhance the image of the brands and the retail stores' popularity	367	2,114

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Regions/ cities	No. of stores	Brands	Objective	Approximate total sales floor area sq.m.	Estimated renovation cost (Note) HK\$'000
Shenzhen	3	<i>Calvin Klein Jeans, Calvin Klein Underwear, Ed Hardy</i>	To enhance the image of the brands and the retail stores' popularity	373	2,148
Changsha	2	<i>Calvin Klein Jeans, Calvin Klein Underwear</i>	To enhance the image of the brands and the retail stores' popularity	357	2,058
Zhuhai	3	<i>Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger</i>	To enhance the image of the brands and the retail stores' popularity	448	2,580
Guangzhou	1	<i>Tommy Hilfiger</i>	To enhance the image of the brand and the retail store's popularity	176	1,014
Total	19			2,459	15,267

Note: The estimated renovation cost represents our management team's estimation based on the historical renovation incurred for our retail stores per sq.m., which will be subject to adjustment due to the size of the actual sales floor area of the retail stores, the condition of the local market and the result of negotiation with the relevant contractors and landlords without taking into account the subsidies, if any, provided by the landlords.

The expected amount to be incurred for the renovation of existing retail stores is approximately HK\$15.3 million, of which approximately HK\$3.2 million will be funded by our internal resources and the remaining approximately HK\$12.1 million will be funded by the proceeds of the Global Offering, representing approximately 9.2% of our net proceeds from the Global Offering.

III. Explore new brands and further develop our recently operated brands to expand our brand portfolio and merchandise

International brands, particularly fashion apparel of designer label brands and popular global brands, are sensitive to fast changing consumer preference. Hence, our ability to identify and source new brands that will be well-received by our customers or the brands that are emerging with strong growth potential is crucial to our success. Our management team considers that the continuous exploration of new brands or the promotion of our recently operated brands that have potential; or expanding the distribution territory of our existing brands are important for us to retain and expand our customer base, which has also contributed to our success. Our recently operated brands include *DKNY*, *Philipp Plein*, *LI-NING* (with a focus on its retro-style series and trendy series) and *Sergio Rossi*.

Developing new brands through securing distribution right or strategic cooperation arrangement

Apart from the traditional way of securing distribution right from international brand owners for their fashion apparel through entering into distribution agreements with them, we have explored new ways to cooperate with brand owners. For instance, we set up NB China with the brand owner of a leading international brand, namely, *Neil Barrett*, in 2015. NB China retails the *Neil Barrett* ready-to-wear products through our mono-brand stores and wholesales the products to two sub-distributors to enhance penetration of the brand in Mainland China. We intend to continue to expand our business by becoming a partner with more international brand owners who seek to sell their apparel or license their brands to us in Greater China by leveraging our expertise and our extensive retail network in Greater China. Owing to the *Neil Barrett* brand's successful penetration into Mainland China market, which has demonstrated our ability to promote and commercialise apparel for the international brands, we believe that it will further attract international brands to partner with our Group. Our Directors confirmed that as at the Latest Practicable Date, we had not entered into negotiation with any international brand owner for entering into any cooperation arrangement with us.

In light of the above, we plan to seek distribution right or develop strategic cooperation arrangement with two international brand owners of mid-to-high end fashion brands of womenswear and jeans, which include: (i) a designer label brand originated in France that offers luxury contemporary lady apparel with tailored-fit cutting for business executives ("**luxury lady apparel brand**"); and (ii) a designer label brand originated in Italy that offers jeans with target customers that look for stylish and trendy fashion ("**trendy Italy brand**") or such other brands that, in the opinion of our Directors, would be well-received by our target customers who are business executives and fashion-centric.

As at the Latest Practicable Date, we have considered provision of store management services or entering into cooperation agreement with the luxury lady apparel brand but the formal negotiation is yet to be initiated and there was no concrete plan in this respect as at the Latest Practicable Date because the brand owner is still conducting marketing research

of the Greater China apparel retail market. Nevertheless, our Directors believe that (i) our success in cooperation with *Neil Barrett* will motivate other international brands, such as the luxury lady apparel brand, to enter into similar cooperation arrangement with us; and (ii) our current store opening plan for this brand will materialise in view of our success with international brands of various styles and target customers.

As at the Latest Practicable Date, our negotiation with the brand owner of the trendy Italy brand had almost reached an intermediate stage and the brand owner and our Group have tentatively agreed to open two mono-brand stores for the brand. Our Directors believe that such plan can be materialised.

Developing newly operated brands

As to some of our recently operated brands in our mono-brand stores with potential such as *DKNY*, *Phillip Plein*, *LI-NING* and *Sergio Rossi*, we want to expand the coverage of our distribution right of these brands in one region to other regions in Greater China.

While the progress of our negotiation with each of the brand owners is different, our negotiation with most of the brand owners had reached intermediate stage or advanced stage and we had already opened retail stores of some of these brands. In this connection, during the Track Record Period, we opened one new mono-brand retail store under the brand of *DKNY* in Mainland China and two mono-brand stores under the brand of *Philipp Plein* in Mainland China and Macau. We also took up the operation of three mono-brand stores under the brand of *Philipp Plein* in Mainland China from its preceding distributor after June 2019. After the Track Record Period and up to the Latest Practicable Date, we also opened one mono-brand retail store under the brand of *DKNY* in Mainland China and one under the brand of *Philipp Plein* in Macau. We plan to open two and seven new mono-brand stores under the brand of *DKNY* and *Philipp Plein* in Mainland China before December 2021, respectively. As at the Latest Practicable Date, we had started negotiation with the brand owners of these two brands regarding our expansion plan in opening new mono-brand stores and were looking for suitable premises in this respect.

During the Track Record Period, we opened one mono-brand store and one pop-up store under the brand of *Sergio Rossi* in Taiwan (currently temporarily closed pending relocation to a new premises as at the Latest Practicable Date) and Macau, respectively. We plan to expand our distribution right of this brand's products to Mainland China. As at the Latest Practicable Date, we had been under negotiation with the brand owner for opening two new mono-brand stores under this brand before 31 December 2020 and the negotiation had reached the intermediate stage.

During the Track Record Period, we opened two mono-brand stores under the brand of *LI-NING* in Mainland China; and we had been under negotiation with the brand owner for opening an additional ten new mono-brand stores for the sale of its products of the retro-style series and trendy series before 31 December 2021 and the negotiation has reached the intermediate stage.

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Our Directors consider that our plan to open a total of 25 new mono-brand retail stores covering all six brands or any other emerging brands with great potential is realistically achievable due to our reputation in the apparel retail market in Greater China and our relationship with the landlords of high-end shopping malls. For more details on our ability to open these new retail stores, please refer to the paragraph headed “Business Strategies – I. Continue to expand the geographic coverage of our retail stores in Greater China” of this section.

The following table sets forth the new brands or recently operated brands that we plan to open mono-brand stores in the region specified (*Note*):

Brands	Region	No. of stores	Proposed total sales floor area sq.m.	Proposed business model	Estimated rental deposit HK\$'000	Estimated renovation cost HK\$'000	Subtotal HK\$'000
An international brand originated in France for luxury women apparel	Macau, Mainland China	2	300	Store management and entering into cooperation agreement	488	3,135	3,623
A luxury Italy fashion brand for jeans founded in 1978	Macau, Mainland China	2	300	Retail store	488	3,135	3,623
DKNY	Mainland China	2	300	Retail store	313	1,728	2,041
LI-NING	Macau, Mainland China	10	1,500	Retail store	1,915	11,455	13,370
Philipp Plein	Macau, Mainland China	7	1,050	Retail store	1,620	10,270	11,890
Sergio Rossi	Macau	2	300	Retail store	662	4,543	5,205
Total		25	3,750		5,486	34,266	39,752

Note: Depending on the fashion trend, the relevant brand’s market recognition, the brand’s target customers and the views of the landlord of the shopping mall towards the brand, we may open mono-brand stores for other new international brands that our Directors think that they have potential to gain more popularity in place of the brand(s) set out in the above table.

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The timeframe of opening the new retail stores for the new brands and our recently operated brands is set out below (*Note*):

	Number of retail stores			
	January to June 2020	July to December 2020	January to June 2021	July to December 2021
An international brand originated in France for luxury lady apparel	–	1	1	–
A luxury Italy fashion brand for jeans founded in 1978	–	1	–	1
<i>DKNY</i>	–	–	1	1
<i>LI-NING</i>	–	2	3	5
<i>Philipp Plein</i>	2	1	1	3
<i>Sergio Rossi</i>	1	1	–	–

Note: The number of retail stores to be opened during each period of time set out above is subject to availability of desirable premises, local market condition and further negotiation with the respective brand owner or its master/authorised licensors.

We will hire an additional sale and marketing manager who has extensive experience in mid-to-high end apparel retail industry in Mainland China and Macau to assist us in launching the new brands, collaborating with brand owners or their master/licensed licensors out of our internal resources.

The expected amount to be incurred for exploring new brands and further developing our recently operated brands is approximately HK\$39.8 million, of which approximately HK\$8.4 million will be funded by our internal resources and the remaining approximately HK\$31.4 million will be funded by the proceeds of the Global Offering, representing approximately 24.0% of our net proceeds from the Global Offering.

IV. Continue to set up and implement the Centralised Retail Management System to enhance our operational efficiency

Currently, each of our regional office has its own information technology systems to manage its business and the retail stores in its regions in terms of inventory planning and control, purchases, receipts, sales, promotion, customer analysis and to connect the POS (point-of-sale) system in the retail stores of its region.

To align with our business growth and expansion, we plan to set up and implement a centralised retail management system (the “**Centralised RMS**”) including both software and hardware connecting our headquarters with each of our regional office to manage our retail network, our enterprise resource planning, our human resource management, our accounting system and the operation of our retail stores. We plan to implement the Centralised RMS and connect our headquarters with our regional offices in Macau, Shenzhen and Shanghai and our retail stores on a real time basis.

The Centralised RMS is a centralised information technology infrastructure specially for apparel retailers. It connects our headquarters in Hong Kong, our regional offices in Macau, Shenzhen and Shanghai and all our retail stores in terms of enterprise resources planning, sales targeting, inventory control and management, dealing with purchases, receipts, sales, promotions, customer analysis and customer relationship management for our membership programme. It also connects the POS system in each of our retail stores in Greater China with our accounting systems in our headquarters. The system can help generate accurate and timely financial data and the big data contained from each transactions, which is helpful for us to project our operating costs and planning our inventory management.

Data collected and generated from the Centralised RMS may potentially provide significant value to us and our brand owners. In this connection, the Centralised RMS would also enable us to obtain big data and statistics regarding our customers and strengthen our big data analysis and research capabilities to support our sales and marketing strategies and to improve our customer services. We can centralise all data collected for in-depth data analysis purposes. For instance, we can analyse the frequency of visits, buying preference and consumption pattern and habits of our customers towards different brands and in different retail stores. By tracing their visits and spending habits, their gender and age group, we can profile our customer based on purchasing power, interests such as average spending per customer per retail store for each brand. With such information, our promotional activities can be tailored for a specific brand or a line of apparel products and we can also plan our optimal inventory level for each retail store ahead.

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Apart from the backup functions performed by the Centralised RMS, it can also achieve artificial intelligence application to provide a new shopping experience to our customers to track, analyse and satisfy the customers' specific needs. It can also help set up intelligent fitting room in some of our selected retail stores with facial recognition technologies, a "magic mirror" system, which allows customers to immediately view themselves in the clothes they pick at our retail stores or online shop.

Along with the implementation of the Centralised RMS, we are going to enhance the existing POS system to a comprehensive and scalable retail management system, with customizable application solutions designed to meet our needs. The system is specifically designed to streamline operations from inventory distribution and control, merchandising, logistics, customer relationship management and sales management as a whole. It enables both our headquarters and individual retail stores to closely monitor inventory levels, providing information which we can use to facilitate responsive supply chain operations. At the same time, we plan to further develop our computer infrastructure that includes computer hardware, application software, information security, data analysis and reporting, for communications between teams by sharing the resources in different regions.

We set out below the quotation from the Independent Third Party information technology service provider, in respect of the installation of the Centralised RMS, the breakdown of which is as follows:

Task to be achieved	Estimated commencement date	Estimated completion date	Expenses HK\$'000
	<i>(Note)</i>		<i>(Note)</i>
RMS project phase I (for Hong Kong and Macau)	Q1 2020	Q3 2020	1,800
RMS project phase II (for Mainland China)	Q3 2020	Q4 2021	2,200
Setting up of datacentre infrastructure in our headquarters in Hong Kong	Q1 2020	Q4 2021	2,000
Big-data artificial intelligence	Q2 2020	Q1 2021	1,100
Setting up of warehouse management system (WMS)	Q4 2020	Q2 2021	700
Setting up of e-commerce system	Q2 2020	Q3 2020	900
Future development of financial system	Q1 2020	Q3 2020	500
Rebuild of website	Q1 2020	Q2 2020	150

BUSINESS

Task to be achieved	Estimated commencement date	Estimated completion date	Expenses HK\$'000
	<i>(Note)</i>		<i>(Note)</i>
Setting up of human resources management system (HRMS)	Q1 2020	Q2 2021	2,200
Hardware and software upgrade	Q1 2020	Q3 2021	6,322
Total			17,872

Note: Q1 stands for the first quarter of the year, Q2 stands for the second quarter of the year, and so on.

We intend to apply a total of approximately HK\$17.9 million for developing the new information technology system, of which approximately HK\$3.8 million will be funded by our internal resources and the remaining approximately HK\$14.1 million will be funded by the proceeds of the Global Offering, representing approximately 10.8% of our net proceeds from the Global Offering.

V. Strengthen our online sales

The revenue from the sale of our merchandise through online e-shopping platform TMALL.com (天貓), an online mall store operated by an Independent Third Party e-commerce operator in Mainland China during the Track Record Period, was not significant as by retailing mid-to-high end fashion apparel, most of our potential customers or customers would prefer holding sight of the merchandise, specially luxury merchandise in our retail stores, instead of purchasing the fashion apparel from online shops. Notwithstanding that, in view of the robust development of this online mall store in Mainland China with higher user traffic and its convenient sales support which can provide convenience to customers by offering instant purchases, and particularly following launch of a specific platform for luxury products in TMALL.com (天貓), we intend to expand our online sales channel by opening a new luxury online shop with a view to complementing our offline retail stores by this online sales channel so that our customers can make purchase of our fashion apparel and other lifestyle products both online and offline. In this connection, we have to pay security deposit, annual technology and service fee and Cainiao logistics setup fee to the online mall store operation. We will also incur store application, design and order management system (OMS) integration expenses, warehousing fee, marketing fee and payment of commission to the online mall store operator. Our Directors believe that the combination of online and offline sales channels will not only showcase our apparel products, but also save our customers' the trouble of having to come back to our retail stores again if he/she decides to make the purchase.

Furthermore, to better understand our customers' needs and preference, particularly after we have fully implemented our centralised record management system, we can synchronize and collect data from our online shops and analyse these data through our in-house data analytic systems to better locate our potential customers and implement our marketing plans. We believe a well-developed business-to-customer (B2C) channel can help us keep up with the change in the retail landscape and cater to the prevailing trends and preferences of our online customers and enhance their shopping experience and satisfaction.

The online sales channel can also enable us to manage our inventory level by making inventory allocation quickly between online and offline channels. We can also use the online channel to test the market acceptance for new brands and fashion apparel products so that we can better manage our inventory level based on the sales performance of a brand or a particular product.

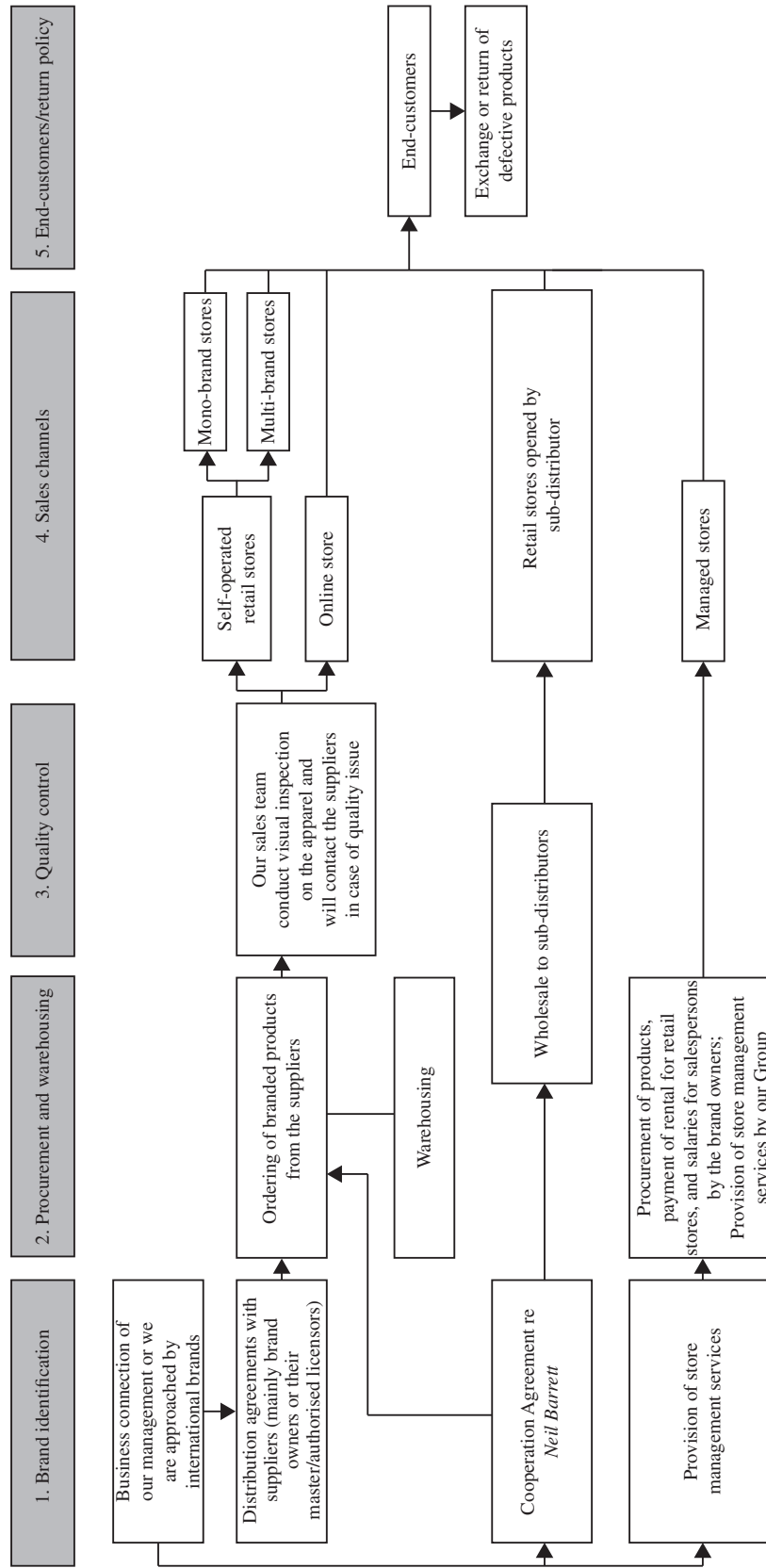
According to the F&S Report, the integration of "Internet+" concept into apparel retail industry is an inevitable development trend. The online retail market revenue in Mainland China grow to approximately HK\$12 trillion in 2018, representing a CAGR of approximately 40% during 2013 to 2018. The development of our online sales channel together with our centralised record management system can pave way for further integration of recent technological development, as they are becoming more mature, into our retail stores.

Based on our experience and recent negotiation with the Independent Third Party e-commerce operator, it is expected that we have to spend approximately HK\$9.4 million, of which approximately HK\$1.9 million will be funded by our internal resources and the remaining approximately HK\$7.5 million will be funded by the proceeds of the Global Offering, representing approximately 5.7% of our net proceeds from the Global Offering, for expanding our online sales and opening a new luxury online shop.

OUR BUSINESS MODEL

We adopt a multi-brand and multi-store business model in the retail of mid-to-high end fashion apparel with the complement of other merchandise including footwear, cosmetic and skincare products and lifestyle products from international brands including designer label brands, popular global brands, both well established and up-and-coming. We also retail our own proprietary *UM*, *UM•IXOX* and *IXOX* branded apparel through our network of retail stores. As at the Latest Practicable Date, our brand portfolio consisted of 113 brands, which include 110 international brands obtained from brand owners or their master/authorised licensors and three our own brands. This multi-brand and multi-store business model helps increase our market share in the apparel retail market in Greater China and, at the same time, enables our customers to have a diverse choice of fashion apparel at different retail sales prices.

The following diagram illustrates our business model:



Our distribution network is mainly through our retail stores with a very small portion through the online e-shop platform TMALL.com (天貓). As at the Latest Practicable Date, we operated 215 retail stores comprising 182 mono-brand stores and 33 multi-brand stores in Greater China. During the Track Record Period, we derived our revenue mainly from our self-operated retail stores, which accounted for approximately 95.2%, 94.5%, 95.0%, 95.3% and 93.3% of our revenue in FY2016, FY2017, FY2018, and the seven months ended 31 July 2018 and 2019, respectively.

We wholesale *Neil Barrett* branded ready-to-wear products to two sub-distributors starting off in Chongqing and Shenyang and expanded to Xi'an, Nanjing, Jinan, Taiyuan, Xuzhou, Harbin and Changchun through the retail stores opened and operated by these two sub-distributors, respectively. For more details, please see the sub-section headed “Our wholesale services” in this section.

In addition, we also derive our revenue from providing store management services to brand owners or their master/authorised licensors and receive commissions from them at an predetermined percentage of the turnover of the retail stores or a fixed lump sum. During the Track Record Period, our Group provided store management services to various brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* for their retail stores in Macau.

During the seven months ended 31 July 2019 and after the Track Record Period, we also derived revenue from providing consignment services to one of the brand owners as a temporary arrangement, and such arrangement was ceased after the Track Record Period and as at the Latest Practicable Date. For details, please refer to the paragraph headed “Entities Who Are Both Our Customers And Suppliers” in this section.

The following are the details of our business model:

1. Brand identification and entering into agreements with brand owners

As at the Latest Practicable Date, our brand portfolio consisted of 113 brands including 110 international brands sourced from brand owners or their master/authorised licensors and three are our own brands. We strategically select renowned and established designer label brands and popular global brands for fashion apparel and lifestyle products that suit the taste of our target customers who are affluent and in pursuit of chic and stylish lifestyle. Our Directors and other senior management team will meet regularly to identify market opportunities and brainstorm new brand concepts and the latest fashion trends. In identifying and selecting new brands, we would also consider the views and requests of the relevant landlords of the shopping malls. We also assess the synergy of the new brand concept with our existing brand portfolio by taking into account the brand's market position and compatibility with our objective of supplying chic and stylish apparel to our customers, the target customer group of the new brand, and the offerings by such new brand to supplement our brand portfolio. Above all, we also consider the brand owner's willingness to treat us as its business partner to exploit the Greater China market together. In such

circumstances, if we consider that a brand has potential, we will prepare a business plan for such potential brand with a view to rolling out the brand apparel in the market on a medium-term basis, i.e. for a term of two to three years. In recent years, we had been approached by brand owners to act as their authorised retail distributor in not only Mainland China and Macau but also Hong Kong and Taiwan.

After identifying and selecting suitable international brands, we will negotiate with the brand owners or authorised dealers with a view to entering into distribution agreement with them. For details of our distribution agreements with the brand owners, please refer to the paragraphs headed “Suppliers – Salient terms of the distribution agreements with our suppliers” in this section.

Alternatively, we would also enter into store management agreements with brand owners, such as *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Tommy Hilfiger* and *Roberto Cavalli* for provision of store management services to their retail stores in Macau and, at the same time, we operated mono-brand stores for retailing products of these brands (except for *Roberto Cavalli*) in Mainland China. For details of our store management agreements with the brand owners, please refer to the paragraphs headed “Our Sales Channels – Provision of store management services and consignment services” of this section.

2. Procurement and warehousing

Generally, we place orders with brand owners or their master/authorised licensors based on our procurement plan, the minimum purchase amount set out in the respective distribution agreements, our sales forecast and/or the inventory level of the apparel products. We generally place purchase orders for the products of the coming season at least six to ten months in advance of the expected delivery of the first batch merchandise to our warehouses or directly to our retail stores. If the merchandise is delivered to our warehouses, our warehouse and logistics team will then arrange for the delivery of the merchandise to the retail stores.

3. Quality control, return and warranties

Our suppliers, which are mainly brand owners or their master/authorised licensors, are generally responsible for conducting quality control and tests on their fashion apparel and other lifestyle products before they are to be delivered to us.

When the fashion apparel and merchandise have arrived at the designated place of collection or our warehouse, our sales team will conduct visual inspection on the apparel and the merchandise to ascertain if they have any visual defect and check the product type and the number of merchandise against the details set out in the purchase orders. If there is any quality issue or discrepancy on the number of products purchased and delivered, we will contact the suppliers for replacement or rectification. During the Track Record Period, we did not make any request for any material product return to our suppliers. Neither had

we experienced any material claims from our end-customers in respect of our fashion apparel or merchandise distributed or sold by us during the Track Record Period.

4. Sales channels

We sell our fashion apparel and other merchandise predominantly at our retail stores and a small portion through an online e-shopping platform operated by an Independent Third Party e-commerce operator in Mainland China. We retail *Neil Barrett* brand ready-to-wear apparel through our retail stores and wholesale the apparel to our two sub-distributors. The majority of our retail stores are mono-brand stores which are operated under the brand name of the merchandise being distributed. Our Group also operates multi-brand stores that offer a wide selection of merchandise under different brands. For further details of our sales network, please refer to the paragraph headed “Our Sales Channels” in this section.

By adopting a multi-brand and multi-store business model, our customers can enjoy a more diverse choice of fashion apparel and other stylish and chic merchandise. Through offering multi-brands, we can leverage our multi-brand stores to incubate our own brands *UM*, *UM•IXOX* and *IXOX*.

5. Return policy for end-customers of our retail stores

For our retail stores in Mainland China, we generally accept customers’ requests for product exchange or product return for cash within seven days after purchase. However, no product return is allowed generally in Macau and Hong Kong except when the product is defective. If it happens, we only accept customer’s request for product exchange for product of the same brand and style but different in size. The defective products returned to us will subsequently be returned to the brand owners, after identifying and verifying the defects.

Some brand owners operate their own customer service hotlines, which allow end-customers of their brands to contact them direct for any enquiries. Some brand owners will share the end-customers’ feedback on their products or on our services with us.

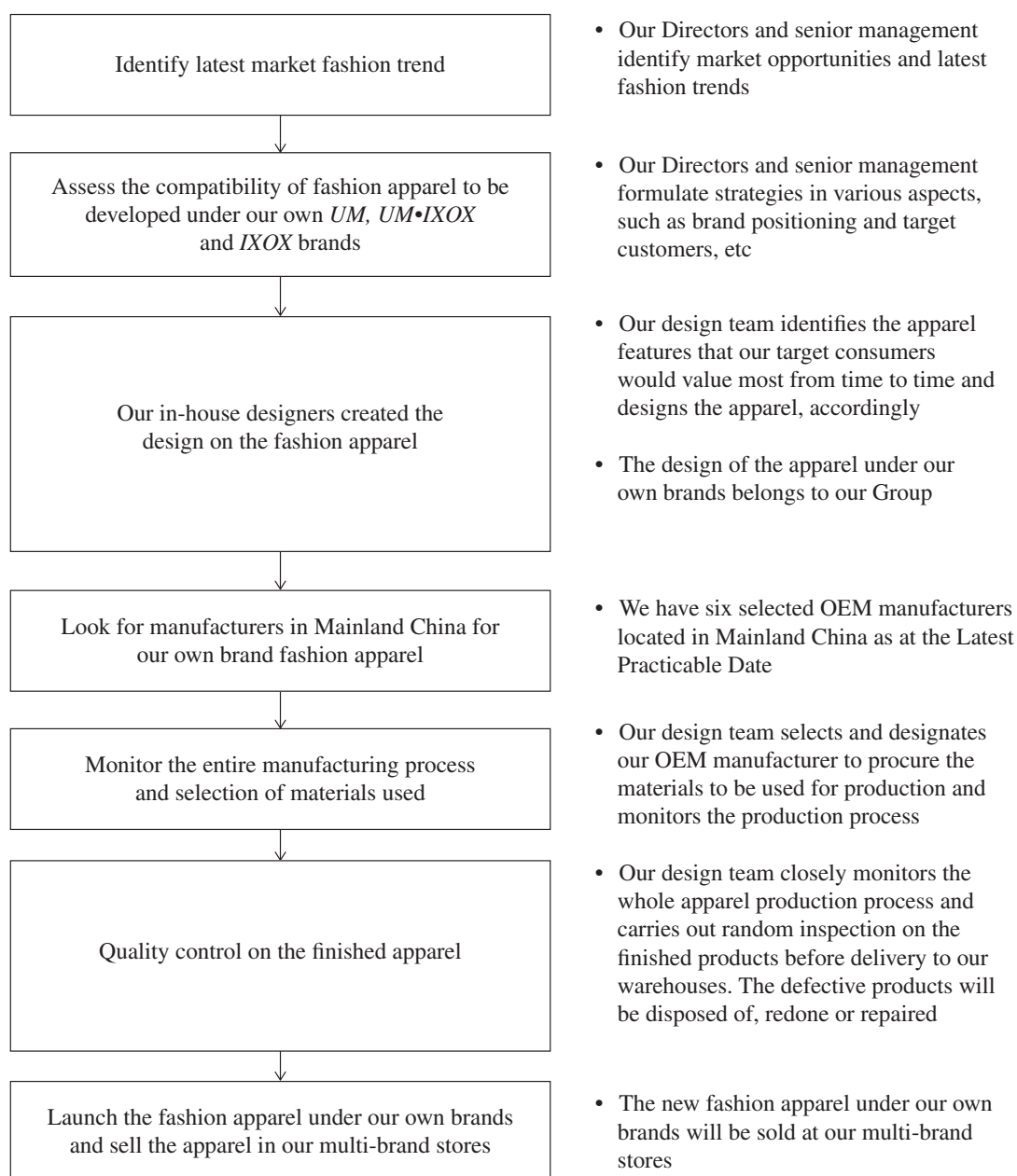
During the Track Record Period, we did not make (and, to our best knowledge after making all reasonable enquires, our brand owners or their master licensors did not make) any material product recalls in respect of the fashion apparel and other merchandise distributed or sold by us, which would cause any material adverse impact on our business and operation.

Our own brand fashion apparel

Leveraging our brand portfolio and our reputation in the apparel retail industry in Greater China, we have developed and sold fashion apparel of our own brands, namely *UM*, *UM•IXOX* and *IXOX* for sale and distribution in our multi-brand stores. To develop our own

brands, we have set up a design team consisting of two in-house designers and two regional brand managers. Our in-house designers are responsible for the designs of our *UM*, *UM•IXOX* and *IXOX* branded apparel products. We outsource the production of our *UM*, *UM•IXOX* and *IXOX* branded apparel products to OEM manufacturers in Mainland China. Our design team closely monitors the entire production process at the production plant of the OEM manufacturers and conduct quality control and inspection on the finished apparel products before they can be sold at our retail stores.

We set out below a summary of steps involved in the development of our *UM*, *UM•IXOX* and *IXOX* branded apparel products:



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OUR SALES CHANNELS

We sell our fashion apparel and other merchandise predominantly at our self-operated retail stores in Greater China with a very small portion through the online mall store TMALL.com (天貓) operated by an Independent Third Party e-commerce operator in Mainland China. The majority of our retail stores are mono-brand stores which are operated under the brand name of the merchandise. Our Group also operates multi-brand stores that offer an assortment of selected merchandise under different brands. In respect of *Neil Barrett* brand ready-to-wear apparel, apart from selling the apparel in our self-operated mono-brand stores, we wholesale the apparel to two sub-distributors who subsequently opened *Neil Barrett* mono-brand stores in Mainland China in accordance with our guidelines and requirements. We also provide store management services for a few international brand retail stores in Macau (“**managed stores**”) and retail *CK CALVIN KLEIN* products in Mainland China on consignment basis since 2019. The following table sets forth a breakdown of our revenue generated from different sales channels for the years and periods indicated:

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018 HKD'000	%	2019 HKD'000	%
	(Unaudited)									
Retail										
<i>Mono-brand stores</i>	772,504	81.3	861,376	80.8	1,073,641	79.8	606,189	80.2	696,164	78.0
<i>Multi-brand stores</i>	131,671	13.9	146,375	13.7	204,437	15.2	114,018	15.1	136,037	15.3
<i>Online Sales</i>	185	–	572	–	538	–	314	–	67	–
	904,360	95.2	1,008,323	94.5	1,278,616	95.0	720,521	95.3	832,268	93.3
Managed stores (Note 1)	32,490	3.4	32,396	3.0	29,256	2.2	17,683	2.3	20,078	2.3
Consignment (Note 2)	–	–	–	–	–	–	–	–	28,493	3.2
Wholesale (Note 3)	13,298	1.4	25,911	2.5	36,993	2.8	18,166	2.4	11,032	1.2
Total	<u>950,148</u>	<u>100.0</u>	<u>1,066,630</u>	<u>100.0</u>	<u>1,344,865</u>	<u>100.0</u>	<u>756,370</u>	<u>100.0</u>	<u>891,871</u>	<u>100.0</u>

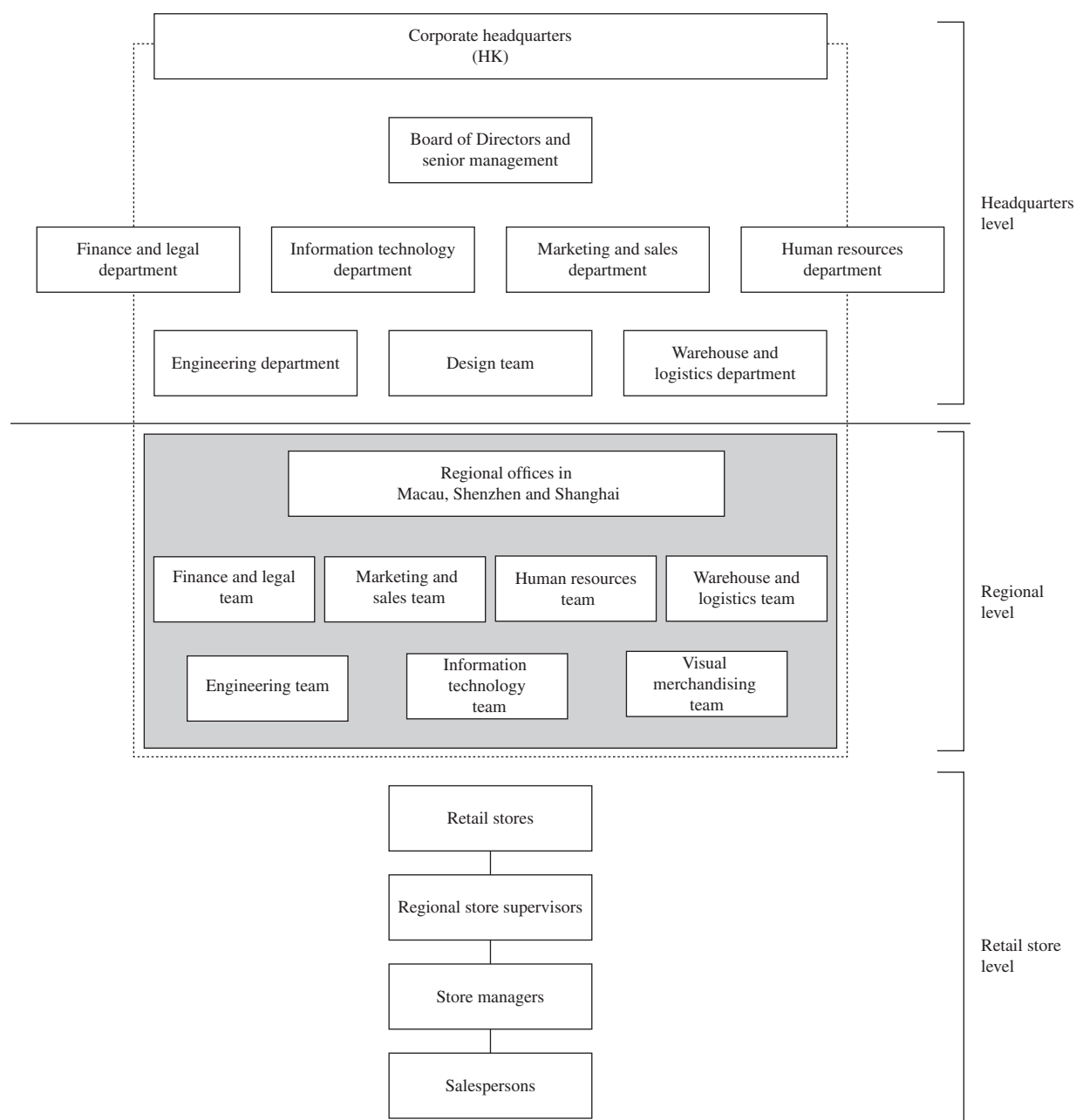
Notes:

- The revenue from managed stores includes service fees and the commission paid to us for our store management services for the retail stores of certain brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* in Macau during the Track Record Period.
- The revenue includes consignment fee generated from the sales of *CK CALVIN KLEIN* products in Mainland China pursuant to a consignment arrangement in 2019 between the master licensor of the brand and our Group on a temporary basis, which was ceased after the Track Record Period and as at the Latest Practicable Date.
- We wholesale *Neil Barrett* ready-to-wear apparel to two sub-distributors in Mainland China.

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Management of Our Sales Channels

To ensure smooth operation of all our sales channels in Greater China, we set up our headquarters in Hong Kong with regional offices in Macau, Shenzhen and Shanghai, respectively. Our headquarters in Hong Kong is the epicentre for providing multitude of functions that supports the regional offices and our retail shops in various areas. We set out below the hierarchical structure of our Group as at the Latest Practicable Date:



Headquarters

Our strategies and all important business decisions are made by our Board of Directors. We set up different departments in our headquarters in Hong Kong and each of which plays a specific role that directly supports the operating of our entire Group, including human resources department, finance and legal department, engineering department, marketing and sales department, design team, information technology department and warehouse and logistics department. Our human resources department is responsible for recruitment and all employment matters of our Group. It also handles employee benefits, insurances and staff training. Our marketing and sales department works hand in hand with our design team to identify and develop new brands, promote our existing brands, ensure the right seasonal merchandise of our brands is available in our retail stores and formulate the pricing strategies of our merchandise if there are no brand owners' recommended retail price. Our design team is made up of designers and their assistants who are well-versed in fashion trend for the design and production of our own brand apparel. Our information technology department in our headquarters oversees the information system and all digital information of our headquarters, our regional offices and our retail stores; and makes necessary analysis in terms of our customers' shopping habits, the efficiency and functionality of our POS system etc. Our engineering department is responsible for the renovation; and the electrical and mechanical facilities of our retail stores. Our finance and legal department is responsible for the financial matters and provide in-house legal services to our Group. Our warehouse and logistics department is responsible for the movement of our inventory in the warehouse and engagement of Independent Third Party transportation companies for the transportation of our inventory to retail stores etc.

Regional level

We set up regional offices in Macau, Shenzhen and Shanghai, respectively. Each regional office has its own human resources team, marketing and sales team, finance team, information technology team, engineering team, warehouse and logistics team and visual merchandising team to handle the matters in their respective regions. Our regional offices also oversee the operation of the retail stores in their respective regions and maintain regular communication with our headquarters to ensure smooth operation of the retail stores in their respective regions.

Retail store level

In general, each of our retail store has a sales team generally composed of one supervisor, one store manager and a few salespersons, depending on the scale of operation of individual retail stores. These personnel in a retail store have to collectively ensure that their retail store is operated in adherence to our operation manual, the visual merchandising and displays can meet the requirements and standards of both brand owners and us, and that the customer services they provide to customers and their store logistics are sufficient and proper.

I. Our Retail Stores

As at the Latest Practicable Date, we had 215 self-operated retail stores, of which 182 retail stores are mono-brand stores and 33 retail stores are multi-brand stores. In addition to these 215 self-operated retail stores, we also occasionally operate pop-up stores and temporary stores under short-term licence agreements with the shopping malls for, among others, the marketing and promotion of seasonal products; and the retail stores for the sale of *CK CALVIN KLEIN* products in the PRC on consignment basis since 2019, which is an interim arrangement entered into between the master licensor of *CK CALVIN KLEIN* and us before the master licensor can fully take up the operation of *CK CALVIN KLEIN* retail stores in the PRC from its preceding distributor. Such consignment arrangement was not one of our regular sales channels and has completely ceased subsequent to the Track Record Period.

Mono-brand stores

The majority of our retail stores are mono-brand stores selling merchandise of one international brand and are operated under the eponymous brand name of the merchandise. They therefore cater for a specific demographic. Our mono-brand stores feature established designer label brands and popular global brands from international brand owners or their master/authorised licensors. The merchandise sold in these mono-brand stores are mainly fashion apparel with the complement of footwear, cosmetic and fragrances and lifestyle products. By having a diverse range of mono-brand stores in our Group that offer a wide spectrum of fashion apparel with different fashion influences, we can cater for the needs of customers of varying ages who seek to express their individuality and lifestyle through fashionable clothing and lifestyle products. During the Track Record Period, we opened mono-brand stores in Greater China for the brands such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *EA7*, *Ed Hardy*, *Hogan*, *Moschino*, *Neil Barrett*, *Philipp Plein*, *Tommy Hilfiger* and *Under Armour* etc.. For details of the revenue generated from the retail sales of each brand, their sales volume and average selling price, please refer to the paragraph headed “Financial Information – Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items – Revenue – Retail revenue by brands of mono-brand stores and multi-brand stores” in this prospectus.



CK CALVIN KLEIN



Calvin Klein Jeans



Moschino



Ed Hardy



Hogan



Neil Barrett



Under Armour

The success of our mono-brand stores is contingent upon (i) a broad assortment of fashion apparel and other merchandise of different style and size for sale under the same brand that are available in the retail store, and (ii) the customer service provided to our customers or potential customers.

Our Directors believe that the strategic location of our current mono-brand stores can attract a wider group of customers and allow these customers to have a wider choice of apparel products from our brand portfolio.

Our mono-brand stores are renovated mainly based on individual brand owners' design with or without our input or based on our own design with a view to promoting the image of the brand and conveying the overall brand aesthetic to our customers. Through each retail store's interior décor, we can promote the uniqueness of the brand and showcase the brand's fashion apparel or other merchandise. Pursuant to the distribution agreement entered into between individual brand owners and us, the brand owner would impose various obligations on us, for instance, interior décor of the retail store, the display of its merchandise, the visual requirements that utilise a combination of both merchandising and visual merchandising strategies, the location and area of the store, and the number of mono-brand stores to be opened under the brand etc. For details, please refer to the paragraphs headed "Suppliers – Salient terms of the distribution agreement with our suppliers" in this section.

Multi-brand stores

Leveraging our retail experience in operating mono-brand stores, our Group operated our first multi-brand store in Macau in 2011. Our multi-brand stores currently operate under the store names of *UM*, *UM Junior*, *UM Club* or *WF Fashion* with each retail store selling fashion apparel from a different collection of international brands and our own brands that are targeted at affluent customers who have their own fashion taste and preference. Our multi-brand stores allow us to showcase our latest fashion apparel and other lifestyle products of different brands. At the same time, multi-brand stores provide an additional avenue for us to promote and sell the products of different brand owners. As at the Latest Practicable Date, save for one distribution agreement entered into between the brand owner of an international brand and our Group which will expire in 2020, the international brands carried by our multi-brand stores are not governed by any distribution agreements. Notwithstanding the absence of any distribution agreement entered into between the brand owners or their master/authorised licensors with us, before we retail any branded products at our multi-brand stores, we would adopt the following procedures to ensure that we are entitled to sell the products at our multi-brand stores:

- (i) approach and meet the brand owners or their master/authorised licensors and indicate our interest to retail their products at our multi-brand stores through the business connection of our senior management team;
- (ii) introduce and conduct presentations of our multi-brand stores to the brand owners or their master/authorised licensors and ask them their preferences of multi-brand store(s) at which they would like us to retail their products;
- (iii) notify the brand owners or their master/authorised licensors of the name of our multi-brand store(s) which retail their products; and
- (iv) obtain authorisation from the brand owners or their master/authorised licensors whose products are to be retailed at our multi-brand stores. During the Track Record Period and as at the Latest Practicable Date, we had obtained written

authorisation letters and confirmations from the brand owners or their master/authorised licensors for almost all of our branded products retailed at our multi-brand stores. For a few items of branded products that are retailed in our multi-branded stores, we have obtained verbal consent from the brand owners or their master/authorised licensors and followed up by emails informing them of the details of the multi-brand store(s) at which we are to retail their products in advance.

In light of the above, we have obtained written authorisation and consent from the brand owners or their master/authorised licensors and/or have put the brand owners or their master/authorised licensors on notice of our sale of their products in our multi-brand stores. It is our Directors' observation that these arrangements are agreeable to the brand owners or their master/authorised licensors and they have not expressed any objection to it. They have not imposed any restriction on us in showcasing their products together with products of other brands in our multi-brand stores during the Track Record Period. After seeking the advice from the legal advisors from Mainland China, Macau and Taiwan, our Directors take the view that we are entitled to retail the branded products of the brand owners or their master/authorised licensors at our multi-brand stores. Our Directors confirmed that we had not received any objection, complaint or indication from brand owners to object to our sale of their branded products in our multi-brand stores. Our multi-brand stores also play a marketing role in raising our product profiles. More importantly, we can leverage our multi-brand stores to incubate our own brands *UM*, *UM•IXOX* and *IXOX* and other up-and-coming international brands.

During the Track Record Period, a wider selection of merchandise under different brands, including both established and up-and-coming international fashion and lifestyle brands, and our own brands, were offered in our multi-brand stores. The merchandise offered in our multi-brand stores includes fashion apparel, footwear, fashion accessories, cosmetic and fragrances, designer furniture, designer home accessories and ornaments, home aromatic products and skincare.

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from the sales in our multi-brand stores amounted to approximately HK\$131.7 million, HK\$146.4 million, HK\$204.4 million and HK\$136.0 million, respectively, representing approximately 13.9%, 13.7%, 15.2% and 15.3% of our total revenue, respectively.

Our Group's different lines of multi-brand stores include:

UM – First operated in 2011 in Macau, *UM* was our Group's first multi-brand store. *UM* carries a range of merchandise from both international brands and our own brands *UM*, *UM•IXOX* and *IXOX*. The selection of merchandise offered at *UM* includes underwear, sportswear, kidswear and beachwear. As at the Latest Practicable Date, *UM* sold

merchandise from over 10 international brands^(Note 1) comprising both established and up-and-coming brands as well as our own brands *UM*, *UM•IXOX* and *IXOX*. Targeting at customers from a younger generation, the design concept of *UM* is young and chic with a dark color tone. As at the Latest Practicable Date, our Group operated 22 *UM* stores in Macau, Mainland China and Taiwan.



UM Junior – Leveraging the success of *UM*, we opened *UM Junior* in 2014 featuring infantwear, kidswear and accessories procured from high-end international brands. As at the Latest Practicable Date, *UM Junior* sold merchandise from over 20 international brands^(Note 2). In order to create a pleasant and comfortable shopping environment for our customers and their children, the design concept of *UM Junior* is cozy with a bright color tone and a spacious product display area. As at the Latest Practicable Date, the Group operated five *UM Junior* stores in Macau.



Note 1: As at the Latest Practicable Date, the international brands of the merchandise sold in *UM* include Adidas by Stella McCartney, CHURCH'S, Dolce & Gabbana, Ermenegildo Zegna, FALKE, Hugo Boss and Roberto Cavalli Sport, etc.

Note 2: As at the Latest Practicable Date, the international brands of the merchandise sold in *UM Junior* include Balenciaga, Bontoy, Chiara Ferragni, Chloé, Cybex, Dolce & Gabbana, Dsquared2, FENDI, Freka, Happy Socks, Jellycat, Kenzo, La Perla, LITTLE MARC JACOBS, Moncler, N°21, NEIL BARRETT, PAUL SMITH, Philipp Plein Junior, Pylones, Roberto Cavalli Junior, Seiban, Stella McCartney and Young Versace, etc.

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UM Club – *UM Club* is a variation of *UM* which was first introduced in 2017. *UM Club* carries similar merchandise selection and brand mix as *UM*^(Note 3). In order to distinguish itself from *UM*, *UM Club* stores adopt a design concept of cozy and stylish with a brighter color tone to enable our customers to have a seamless and comfortable shopping experience in our retail store. As at the Latest Practicable Date, our Group operated three *UM Club* stores in Macau.



Note 3: As at the Latest Practicable Date, the international brands of the merchandise sold in *UM Club* include CHURCH'S, Dolce & Gabbana, Ermenegildo Zegna, FALKE, Hugo Boss, Roberto Caralli and Versace Jeans, etc.

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WF Fashion – we opened *WF Fashion* in Macau in January 2019 with a view to enriching our lifestyle merchandise selection. Apart from fashion apparel, *WF Fashion* also offers lifestyle products such as artisan chocolate, skincare, designer furniture, designer home accessories and ornaments and home aromatic products procured from over 50 international brands^(Note 4). With a shop space of over 600 sq. m., the design concept of *WF Fashion* is contemporary and elegant with a spacious product display area, and we aim to create a stylish and comfortable shopping environment and experience for our customers. As at the Latest Practicable Date, the Group operated two *WF Fashion* stores in Macau.



Other multi-brand stores – During the Track Record Period, we also operated multi-brand stores under the names of *UM Collezioni*, which was opened in 2012 for selling off-season products of multiple brands at discount, and *UM Collezioni Accessories*, which was opened in 2015 and mainly sold off-season fashion accessories of a different brand mix. As at the Latest Practicable Date, the Group operated one *UM Collezioni* store in Macau, and we had ceased the operation of *UM Collezioni Accessories*.

Note 4: As at the Latest Practicable Date, the international brands of the merchandise sold in *WF Fashion* include A cold Wall, AALTO, Airium, Alexander Wang, Azzedine Alaïa, B-used, BODYSONG, Bonastre, Chiara Ferragni, Christopher Kane, Cire Trudon, Cult Gaia, Dita, Dries Van Noten, DRKSHDW, ENFOLD, FACETASM, Faith Connexion, Fornasetti, FREKA, GCDS, Helmut Lang New York LLC, Ih Nom Uh Nit, Isabel Marant, Isabel Marant Etoile, It's not a phrase, JACQUEMUS, Jil Sander, JOSHUA'S, JW Anderson, Kenzo, Markus Lupfer, MISBHV, N°21, OAMC, OPENING CEREMONY, P.A.M., PIERRE HARDY, Pinel & Pinel, Ratio et Motus, Represent, Rick Owens, Rito, Roberto Cavalli, Sacai, SOLD OUT FRVR, Strathberry, TAAKK, Thom Browne NY, Toga, Tom Wood, Towel Think Lab, VITAL MATERIAL, WHIZ LIMITED, Y's, Yohji Yamamoto and 1017 ALYX 9SM, etc.

Prevention of cannibalisation between mono-brand stores and multi-brand stores

To prevent cannibalisation between our mono-brand stores and multi-brand stores, we have adopted the following measures: (i) we try to differentiate the merchandise sold in our mono-brand stores and multi-brand stores even they are under the same brand; (ii) as one of the functions of the multi-brand stores is to incubate up-and-coming brands and our own brand, we only display selected items of the other international brands in our multi-brand stores; (iii) we ensure uniform pricing for the same product no matter it is sold in the mono-brand store or multi-brand store; and (iv) implementation of our inventory sharing system whereby if a customer wishes to buy a product in the mono-brand store which is out of stock, the mono-brand store can refer the customer to the multi-brand store to purchase the product if it has stock.

We had in the past successfully incubated two up-and-coming brands and established mono-brands stores for *EA7*, the diffusion line of an established international brand, and *Zimmerli* (an international brand with long tradition but was less well-known at the time that offers fine and luxurious underwear and intimate lingerie) after the merchandise of these two brands were initially offered at our *UM* multi-brand stores. In 2014, a mono-brand store for *Zimmerli* was first established in Macau. In December 2018, two mono-brand stores for *EA7* were established in Mainland China.



Zimmerli



EA7

Number of our retail stores by brands

In order to cater to different needs and tastes of our customers, we have broadened our brand portfolio and expand the retail network for the new brands gradually, while also closing certain retail stores due to their underperformance, the expiration of the distribution agreements between the relevant brand owners or their master/authorised licensors or due to the business plan of the relevant brand owners. As a result, the brand mix of the retail stores operated by our Group had undergone changes during the Track Record Period.

The following table sets forth the number of self-operated mono-brand stores for each of the following international brands as well as multi-brand stores we operated as at 31 December 2016, 2017, 2018, 31 July 2019 and the Latest Practicable Date.

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For the purpose of the following table, the mono-brand stores exclude (i) managed stores, i.e. stores to which we provide store management services; (ii) temporary stores and short-term stores under short-term tenancy agreements with the landlords or had been in operation that for three months or less; (iii) pop-up stalls and (iv) our online store.

Brand under which our mono-brand stores operated	No. of retail stores as at				Latest Practicable Date
	31 December 2016	31 December 2017	31 December 2018	31 July 2019	
<i>Adolfo Dominguez</i>	10	11	12	11	7
<i>Balmain</i>	–	–	–	–	1
<i>BLACKBARRETT</i>	14	9	4	3	1
<i>Bobbi Brown</i>	1	1	1	1	1
<i>CK CALVIN KLEIN</i>	6	6	7	7	5
<i>Calvin Klein Jeans (Note 1)</i>	19	23	32	31	29
<i>Calvin Klein Performance (Note 1)</i>	1	3	4	4	4
<i>Calvin Klein Underwear (Note 1)</i>	15	16	20	18	17
<i>Coccinelle</i>	–	1	1	1	1
<i>DKNY</i>	–	–	–	1	2
<i>EA7</i>	–	–	2	2	2
<i>Ed Hardy</i>	9	13	17	19	19
<i>Ed Hardy X</i>	–	–	1	1	1
<i>ESPRIT</i>	26	19	14	8	4
<i>G Givenchy</i>	–	3	3	3	3
<i>Hogan</i>	4	2	2	2	2
<i>LA MAISON DU CHOCOLAT</i>	3	2	1	1	1
<i>LI-NING</i>	–	–	–	2	3
<i>Love Moschino</i>	2	1	1	1	1
<i>M.A.C.</i>	–	–	1	1	1
<i>Maison Margiela</i>	2	2	2	1	–
<i>Marni</i>	3	2	2	2	2
<i>MM6</i>	3	4	3	3	–
<i>Moschino</i>	5	5	5	5	6
<i>Neil Barrett</i>	11	12	16	18	19
<i>Philipp Plein</i>	–	–	1	5	6
<i>Plein Sport</i>	–	1	1	1	1
<i>Sergio Rossi</i>	–	–	–	1	– (Note 2)
<i>Stella McCartney</i>	–	–	2	2	2
<i>Tommy Hilfiger (Note 1)</i>	25	11	14	13	13
<i>Under Armour</i>	–	9	23	25	27
<i>Versace</i>	1	–	–	–	–
<i>Zimmerli</i>	3	3	2	2	1
Sub-total	163	159	194	195	182

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	No. of stores as at				Latest Practicable Date
	31 December 2016	31 December 2017	31 December 2018	31 July 2019	
Our multi-brand stores					
<i>UM</i>	22	19	20	21	22
<i>UM Junior</i>	1	2	3	4	5
<i>UM Club</i>	–	2	3	3	3
<i>WF Fashion</i>	–	–	–	1	2
Others (Note 3)	2	2	1	1	1
Sub-total	25	25	27	30	33
Total	188	184	221	225	215

Notes:

1. These mono-brand stores are all operated in Mainland China and excluded the retail stores of these brands in Macau to which we provide store management services only.
2. Our retail store for *Sergio Rossi* in Taiwan was closed as at the Latest Practicable Date pending relocation to a new premises.
3. Includes *UM Collezioni Accessories*, a multi-brand store for the sale of off-season fashion accessories, which ceased its operation in 2018; and *UM Collezioni*, a multi-brand store for the sale of our off-season apparel products at discount.

Operation of our retail stores

Our retail stores generated the majority of our revenue during the Track Record Period. Hence, to sustain our business, it is crucial for us to formulate a comprehensive management plan in respect of the operation of our retail stores. In this connection, we focus on (i) strategy on selection of location for our retail stores; (ii) retail stores personnel; (iii) our POS system; (iv) visual merchandising in each retail store; (v) settlement and cash management.

(i) Strategy on selection of location for our retail stores

Identifying a suitable location for our retail stores is crucial to our success. We generally conduct a full site analysis for the target site to ensure that it is suitable for retail store operation and is appealing to city dwellers and tourists. Most of our retail stores are strategically located in high-end shopping malls, department stores or free-standing premises in prime locations or in densely populated commercial areas.

Apart from location, we also consider other factors such as (i) target customers spending power and demographic (ii) accessibility of the location; (iii) neighbouring tenants and competition of other retail stores and merchandise sold in the neighbourhood;

(iv) the pedestrian and vehicular paths located and the availability of entertainment and dining in the site or proximity area; (v) the relevant lease terms or other restrictions on the premises; and (vi) the reputation and foot traffic of the shopping malls and department stores.

The typical lead time from completion of site selection to the opening of a new retail store amounts to approximately three to six months.

It has also been our strategy to place retail stores of different brands in close proximity to our other retail stores in the same shopping mall, where it is necessary for us to establish market presence by operating a group of retail stores in the high-end shopping malls close to the major casinos and resorts especially in Macau, or in prime locations in Tier 1, New Tier 1, Tier 2 and Tier 3 cities. By setting up different mono-brand stores and multi-brand stores in the same shopping mall, department store or same geographical area, we can attract different customer base and minimise the dilution of customer traffic among our retail stores. As at the Latest Practicable Date, our Group has a diversified brand portfolio comprising 113 brands (including our three own brands) that offer apparel of varying types and style with different price range; and target for consumers of different gender and age group with different spending power and spending habit. Our Directors believe that strategically having different retail stores offering products of a number of different brands in close proximity would create a diversified brand mix within a shopping mall or department store by which we can attract a wide range of consumer demographics and capture greater foot traffic within the shopping mall more effectively. Bundling our retail stores in the surrounds would therefore give our customers a wider choice in their shopping experience, retaining customers in our retail stores and driving sales revenue generated from our retail stores. On the other hand, it would enhance our bargaining power in liaison with the landlords or the operators of the shopping malls or department stores on the terms and conditions of our tenancy agreement for the retail stores and become their anchor tenant. Notwithstanding that, we have carefully evaluated and assessed the impact of setting up additional retail stores in close proximity to our existing retail stores to avoid any significant adverse concentration of our retail stores in the geographical regions in which we operate.

(ii) Retail stores personnel

Our retail sales team is primarily responsible for the operation of our retail stores, including monitoring the implementation of the sales plans, evaluating sales performance of the retail stores as well as working together with our marketing team to implement our marketing plans from time to time. The retail sales team in each retail store is generally staffed with a regional supervisor (who may be responsible for two to four retail stores in the same region), a shop manager and three to six salesperson, depending on the scale of operation of the retail store. We regularly conduct trainings related to the feature, function and style of our merchandise and the sales skills for our shop managers and salesperson in order to ensure that they have sufficient knowledge and understanding on our merchandise and are able to give correct information to our customers using appropriate sales technique

to cater for individual customer's different needs and preferences. Our retail sales team will ensure that every team member commits to maintaining the brands image while actively contributing to our retailing strategies that will enable the retail store to achieve its optimal financial performance.

We have a sales commission scheme in place to incentivize our frontline salesperson whereby our salesperson and other retail stores personnel will be entitled to commission based on their own sales performance and/or the overall performance of the retail store on a monthly, quarterly and annual basis. During the Track Record Period, we incurred employee benefit expenses, including salary, bonus and sales commissions, paid to our sales and marketing staff, of approximately HK\$98.9 million, HK\$106.1 million, HK\$147.8 million and HK\$100.9 million respectively.

(iii) POS System

We have been using a computerised POS system at all of our retail stores to capture the sales, inventory level, customer spending and payment data on a real time basis. We closely monitor and analyse the relevant data, which enables us to monitor the inventory levels of each retail store, and quickly analyse the sales performance and respond in a timely manner to any change in customers' taste and preference.

(iv) Visual merchandising

The spacing, layout and merchandise display of our mono-brand stores generally follow the design concept and input, if any, of individual brand owners or their master/authorised licensor. Our retail stores product display is regularly reviewed by our visual merchandising team. Our visual merchandising team will liaise with individual brand owners regarding the design of the mono-brand store under their name. It is also responsible for the display of the merchandise of our multi-brand stores and, requires our retail stores to present a visual image conducive to optimizing the shopping experience of our customers through the design and color of the store fronts, backdrop and merchandise display.

(v) Settlement and cash management

Payment at our retail stores are mainly settled in RMB, MOP, Hong Kong dollar and TWD in Mainland China, Macau, Hong Kong and Taiwan, respectively, and no credit term was granted by our Group to any retail customers. We accept payment by cash, credit card, debit card and electronic payment. Owing to the arrangement between some shopping malls or department stores and us, some customers who purchase our merchandise at our retail stores located in the shopping malls or department stores would settle their payments with the shopping malls or department stores, and these shopping malls or department stores would subsequently account for the payments to us after deducting their charges within 30 to 40 days after settlement of the bills. The department stores will remit the amounts into our designated bank accounts. The amounts received from the department stores and their

charges are verified by reconciling our sales and inventory records with the sales records of the department stores on a monthly basis. During the Track Record Period, we did not experience any material difficulty in collecting the amounts due from department stores.

To prevent misappropriation and illegal use of cash, we have implemented cash management and deposit procedures for our retail stores as specified in our internal guidelines. Cash collected each day at each retail store will be kept in a safe or a locker at each retail store, and our store staff will, in general, deposit the cash into our bank accounts on the next day when banks open for business. We conduct daily reconciliations of sales recorded by the summaries generated from the POS system with the actual cash receipts and other forms of payment on a daily basis. Through the accounting system, we monitor our cash proceeds against the cash deposit records from the bank and sale reports. Our finance department will cross-check the reconciliation of sales records and the actual cash receipts against the amount of cash deposited into our designated bank accounts on a monthly basis. For payments paid by credit cards, we check the statements issued by the banks that issued the credit or debit cards against our sales records. During the Track Record Period and up to the Latest Practicable Date, we did not record any material cash loss or theft.

In the managed stores to which we provide store management services, cash collected each day will be packed in a sealed bag and will, under the brand owners' arrangement, generally be collected by a security company engaged by the brand owners every two to three days.

Opening and closure of retail stores during the Track Record Period

We adopt a flexible and practicable approach in operating our retail stores. During the Track Record Period, we closed certain retail stores due to various reasons, such as their underperformance, the expiration of the relevant tenancy agreements, or our cessation of developing the relevant brands.

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We closed 23, 36, 20, 14 and 13 retail stores in Mainland China, respectively, 14, nine, nine, three and 12 retail stores in Macau, respectively, one, nil, nil, nil and one retail store in Hong Kong, respectively, and nil, nil, nil, nil and one retail store in Taiwan, respectively, during the Track Record Period and as at the Latest Practicable Date. A breakdown of the reasons for the closure of these retail stores is as follows:

Reasons for the closure of the retail Stores (Notes 1 and 2)	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019	After the Track Record Period and up to the Latest Practicable Date
The retail store's underperformance in the relevant location	9	7	7	2	9
Expiry or early termination of distribution agreement	11	1	1	1	4
Change in the business plan of the relevant brand owner or our Group, or change of location of the retail store (Note 3)	18	37	21	14	14
Total	38	45	29	17	27

Notes:

- For assessing the closure of our retail stores during the Track Record Period, we have excluded the closure of (i) managed stores, i.e. the stores to which we provide store management services; (ii) temporary stores for, among others, consignment sales; (iii) short-term stores that were in operation for three months or less; (iv) pop-up stalls; and (v) our online store.
- The closure of a particular retail store may be due to more than one reasons. For the purpose of this table, we categorise the respective reasons for closure of each retail store based on the main reason.
- The brand owners' change of their business plan includes, for instance, they intend to expand their business to the downstream retailing of their products in certain locations. Our change of business plan includes, for instance, our plan not to further develop certain brands as they are facing declining consumer demand and we plan to free our resources for some new brands or upcoming brands.

We also opened 18, 32, 46, 11 and six new retail stores in Mainland China, respectively, 16, eight, 17, six and 11 new retail stores in Macau, respectively, one, one, three, one and nil new retail stores in Hong Kong, respectively, and nil, nil, nil, three and nil new retail stores in Taiwan, respectively, during the Track Record Period, and during the period after the Track Record Period and up to the Latest Practicable Date. Our flexible and practical approach in the operation of retail stores enables us to better deploy our resources in the operation of our retail stores swiftly.

For those retail stores which were underperformed, for instance, they could not reach the Breakeven Point and/or Investment Payback Point within the typical range of Breakeven Period or the typical range for Investment Payback Period, after considering their potential for improvement by taking into account their geographic location, the variation between our expected consumer demographics and the actual customer group, and the popularity of the relevant brand, we will decide whether the retail store shall be closed down or not so that we could cut the loss and free up our resources to open a new retail store for another brand. In some circumstances, we closed certain retail stores due to the expiration of the tenancy agreements of the store premises; or our refusal to accept the terms for renewal of the tenancy agreements offered by the landlords. In such circumstances, we would relocate the retail stores to other premises, preferably, in proximity to the then existing premises.

It is worth noting that though some retail stores were underperformed to the extent that they could not reach the Breakeven Point or Investment Payback Point, we did not close down these retail stores in the first instance due to various reasons, for instance, we think the brands have potential for development in the long run or we want to maintain long-term business relationships with the relevant landlord or brand owner. For details, please refer to the paragraph headed “Our Sales Channels – I. Our retail stores – Breakeven Period and Investment Payback Period analysis” in this section.

Furthermore, as a fashion apparel retailer offering apparel of renowned international brands, we must keep on adjusting our brand mix in response to the fast-changing market trend and customers’ varying demands. Thus, we tend to close down retail stores, especially, mono-brand stores for certain brands that are not so well received by customers as we have originally expected or those brands that have been losing their popularity in the markets cities. On one occasion, the brand owner of a well-known American premium clothing brand for men’s, women’s and kid’s sportswear, denim, accessories and footwear refused to renew its distribution agreements with us covering our retail stores opened in Tier 1 cities in Mainland China as the brand owner planned to operate its own-brand retail stores in Tier 1 cities in Mainland China in place of us. Despite the closure of our retail stores under this brand in Tier 1 cities, we still operated mono-brand stores for this brand in Tier 2 cities in Mainland China as at the Latest Practicable Date.

Notwithstanding that, as the apparel retail industry in the Greater China is highly competitive and fragmented, our Directors consider that the closure of retail stores and setting up of new retail stores from time to time is a natural evolutionary change in our fashion apparel retail business.

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The table below shows the changes in the number of retail stores we had during the Track Record Period and up to the Latest Practicable Date.

Retail stores (Note 1)	Regions	FY2016	FY2017	FY2018	For the	After the
					seven months ended 31 July 2019	Track Record Period and up to the Latest Practicable Date
Number of retail stores as at the beginning of the year/period	Macau	53	55	54	62	65
	Mainland China	136	131	127	153	150
	Hong Kong	2	2	3	6	7
	Taiwan	0	0	0	0	3
		191	188	184	221	225
Number of retail stores opened during the year/period	Macau	16	8	17	6	11
	Mainland China	18	32	46	11	6
	Hong Kong	1	1	3	1	0
	Taiwan	0	0	0	3	0
		35	41	66	21	17
Number of retail stores closed during the year/period	Macau	(14)	(9)	(9)	(3)	(12)
	Mainland China	(23)	(36)	(20)	(14)	(13)
	Hong Kong	(1)	0	0	0	(1)
	Taiwan	0	0	0	0	(1)
		(38)	(45)	(29)	(17)	(27)
Number of retail stores as at the end of the year/period	Macau	55	54	62	65	64
	Mainland China	131	127	153	150	143
	Hong Kong	2	3	6	7	6
	Taiwan	0	0	0	3	2 (Note 2)
		188	184	221	225	215

Notes:

- For the purpose of this table, retail stores exclude (i) managed stores, i.e. stores to which we provide store management services, (ii) temporary stores for, among others, consignment sale, (iii) short-term stores that were in operation for three months or less, (iv) pop-up stalls and (v) our online store.

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2. Our retail store for *Sergio Rossi* in Taiwan was closed as at the Latest Practicable Date pending relocation to a new premises.

The pace of opening and closing retail stores

We open and close retail stores at a fast pace, which is a normal process of our Group's business as we have adopted a flexible and practicable approach and would adjust our brand mix constantly in response to the fast-changing market trend and customers' varying demands on fashion from time to time. Moreover, there was a one-off relocation of stores for selling off-season products from Winman Department Store to Emperor Nam Van Centre in Macau as the latter would serve as a centralised outlet for our Group's off-season apparel (the "**Relocation**"). The Relocation was due to the expiry of tenancy agreement with the landlord of Winman Department Store. We opened seven retail stores in Emperor Nam Van Centre between August and September 2019 and closed seven retail stores in Winman Department Store in October 2019, which had largely exaggerated our pace of opening and closing retail stores after the Track Record Period and up to the Latest Practicable Date (the "**Subsequent Period**").

For illustrative purpose, the table below sets forth the average monthly opening/(closing) of retail stores of our Group during the year/period indicated.

Region	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019	After the Track Record Period and up to the Latest Practicable Date
Mainland China	1.5 (1.9)	2.7 (3.0)	3.8 (1.7)	1.6 (2.0)	1.3 (2.8)
Macau	1.3 (1.2)	0.7 (0.8)	1.4 (0.8)	0.9 (0.4)	2.3/0.8* (2.6)/(1.1)*
Hong Kong	0.1 (0.1)	0.1 –	0.3 –	0.1 –	– (0.2)
Taiwan	– –	– –	– –	0.4 –	– (0.2)
Total	2.9 (3.2)	3.5 (3.8)	5.5 (2.5)	3.0 (2.4)	3.6/2.1* (5.8)/(4.3)*

* After excluding the effect of the Relocation

During the Subsequent Period, we opened 3.6 new retail stores per month, including 1.3 new retail stores in Mainland China and 2.3 new retail stores in Macau (including the retail stores opened due to the Relocation). This pace of opening retail stores in Mainland China at 1.3 new retail stores per month during the Subsequent Period was slower than that during the Track Record Period as there was no imminent need for our Group to open new retail stores in the middle of the fall/winter season when the discount period had already started.

Our pace of opening retail stores in Macau of 2.3 new retail stores per month during the Subsequent Period is significantly higher than that during the Track Record Period due to the Relocation which contributed 1.5 new retail stores per month. If the effect of the Relocation is excluded, our pace of opening new retail stores in Macau during the Subsequent Period would become 0.8 new retail stores per month, which is in line with that during the Track Record Period.

During the Subsequent Period, our Group had closed 5.8 retail stores per month, including 2.8 retail stores in Mainland China and 2.6 retail stores in Macau (including the retail stores closed due to Relocation). This pace of closing retail stores in Mainland China of 2.8 closed retail stores per month during the Subsequent Period is in line with that during the Track Record Period.

We closed 2.6 retail stores per month in Macau during the Subsequent Period, which was significantly faster than that during the Track Record Period due to the Relocation, which contributed 1.5 closed retail stores per month. If the effect of the Relocation is excluded, our pace of closing retail stores in Macau during the Subsequent Period would become 1.1 retail stores per month, which is in line with that during the Track Record Period.

New retail store opening process

For opening a new retail store, after our Directors and senior management team members have decided to launch a new brand or open a new retail store for our existing brands, be it mono-brand store or multi-brand store, our retail store opening process from selection of location to store opening generally requires three to six months and primarily consist of (i) approval of the location by our executive Directors, lease negotiations and approval by our executive Directors; (ii) engagement of professional interior design on the design of the retail store; (iii) renovation (generally takes two to three months) by external contractors in accordance with our interior design; (iv) obtaining all required licences and permits, recruitment or deployment of store manager and other staff to the new retail store, training of new staff and other pre-opening preparations.

Our Directors confirm that all the retail stores opened during the Track Record Period were financed by our internal resources. We review the performance of each retail store on a monthly basis.

Breakeven Period and Investment Payback Period analysis

Based on our Directors' experience, the respective length of Breakeven Period and Investment Payback Period is dependent upon the prevailing market condition, the economic environment, brand recognition, the type and variety of merchandise available for sale in a particular retail store, the size and location of the relevant retail store, operating performance and initial investment cost of a particular retail store. As we would liaise with the landlord or operator of shopping malls for more than one shopping space in one go in order to enhance our bargaining power in negotiation of the terms and condition of the tenancy of the retail space, the landlord or operator may offer an array of shopping spaces within one shopping mall to us as a package whereby the foot traffic of these shopping spaces would vary. Owing to the above factors, the period for reaching Breakeven Period or Investment Payback Period varies substantially from retail store to retail store and over time.

We opened 35, 41, 66 and 21 retail stores, respectively, totaling 163 retail stores in Greater China during the Track Record Period. Of these 163 new retail stores, 107, 47, six and three were opened in Mainland China, Macau, Hong Kong and Taiwan, respectively (collectively, the **"Newly Opened Retail Stores"**). In calculating the number of Newly Opened Retail Stores, the three Newly Opened Retail Stores in Taiwan are not taken into account as they have been operated only since March 2019 and yet to reach breakeven as at the Latest Practicable Date.

Of the 160 Newly Opened Retail Stores, those whose revenue has been equal to its monthly expenses for at least two consecutive months within the typical range of Breakeven Period will be regarded as having achieved the Breakeven Point. The typical range of Breakeven Period refers to the lower end and higher end of the time period within which 10% and 90% of the Newly Opened Retail Stores in the relevant region, namely, Mainland China, Macau and Hong Kong, have achieved breakeven, respectively (the **"Typical Range of Breakeven Period"**). In such circumstances, the Typical Range of Breakeven Period in Mainland China, Macau and Hong Kong is two to seven months, two to five months and two to nine months. Of all the 160 Newly Opened Retail Stores, 100 Newly Opened Stores had achieved breakeven within the Typical Range of Breakeven Period. As concerns the remaining 60 Newly Opened Stores, 47 Newly Opened Retail Stores could not reach breakeven within the Typical Breakeven Period and up to the Latest Practicable Date, six Newly Opened Retail Stores had subsequently reached breakeven as at the Latest Practicable Date; and the remaining seven Newly Opened Retail Stores have not yet reached Breakeven Point as their operation period is still within the Typical Range of Breakeven Period as at the Latest Practicable Date.

In calculating the number of Newly Opened Retail Stores that have reached Investment Payback Period, we have excluded 15 Newly Opened Retail Stores for which we had not incurred any capital expenditure in their establishment as we had either taken over the retail stores from previous retailers or we had received subsidies from the relevant landlords and the three Newly Opened Retail Stores opened in Taiwan since March 2019

due to their relatively short periods of operation. As such, in calculating the number of Newly Opened Retail Stores reaching Investment Payback Period, only 145 retail stores were taken into account.

Of these 145 Newly Opened Retail Stores, those stores whose initial investment (inclusive of, among others, renovation costs and other capital expenditure) is fully recouped from their accumulated net profit within the Typical Range of Investment Payback Period will be regarded as having achieved the Investment Payback Point. The typical range of investment payback period refers to the lower end and upper end of the time period within which 10% and 90% of the Newly Opened Retail Stores in the relevant region, namely, Mainland China, Macau and Hong Kong, have achieved investment payback, respectively (the **“Typical Range of Investment Payback Period”**). In such circumstances, the Typical Period For Reaching Investment Payback Point in Mainland China, Macau and Hong Kong is two to 18 months, two to 16 months and eight to ten months. Of these 145 Newly Opened Retail Stores, 54 Newly Opened Retail Stores had achieved Investment Payback Point within the Typical Range of Investment Payback Period. As concerns the remaining 91 Newly Opened Retail Stores, 41 Newly Opened Retail Stores could not reach the Investment Payback Point within the Typical Range of Investment Payback Period and up to the Latest Practicable Date, five Newly Opened Retail Stores had subsequently achieved Investment Payback Point as at the Latest Practicable Date; and the remaining 45 Newly Opened Retail Stores have not yet reached Investment Payback Point as their operation period is still within the Typical Range of Investment Payback Period as at the Latest Practicable Date.

It is noted that during the Track Record Period, 47 newly opened retail stores did not achieve their Breakeven Point and 41 newly opened retail stores did not achieve their Investment Payback Point during the relevant time frame. In such circumstances, we would consider their potential for improvement by taking into account their geographic location, the time they need to reach the Breakeven Point or Investment Payback Point, the variation between our expected consumer demographics and the actual customer group, and the popularity of the relevant brand before we determine whether the relevant retail store shall be closed down or not so that we can cut the loss and free up our resources to open a new retail store for another brand. If the number of closure of these newly opened retail stores increases due to their failure to reach the Breakeven Point and/or Investment Payback Point increases, the results of our operation, financial position and relationship with the relevant brand owner(s) would be adversely affected. For further details, please refer to the paragraph headed “Risk Factors – Our retail stores may fail to achieve Breakeven Point and/or Investment Payback Point within the typical range of breakeven and investment payback periods” in this prospectus.

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The table below sets forth the Breakeven Period and Investment Payback Period of our retail stores that were opened during the Track Record Period as at the Latest Practicable Date:

	Breakeven Period for newly opened retail stores during the Track Record Period		Investment Payback Period for newly opened retail stores during the Track Record Period	
	Number of retail stores achieving Breakeven within Typical Range of Breakeven Period	Number of retail stores not achieving Breakeven within Typical Range of Breakeven Period	Number of retail stores achieving Investment Payback within Typical Range of Investment Payback Period	Number of retail stores not achieving Investment Payback within Typical Range of Investment Payback Period
Mono-brand stores <i>(Note 1)</i>				
Mainland China	62	31	33	27
Macau	24	15	13	13
Hong Kong	3	2	2	2
Multi-brand stores <i>(Note 1)</i>				
Mainland China	6	3	2	3
Macau	5	2	4	1
Total	<u>100</u>	<u>53</u> <i>(Note 2)</i>	<u>54</u>	<u>46</u> <i>(Note 3)</i>

Notes:

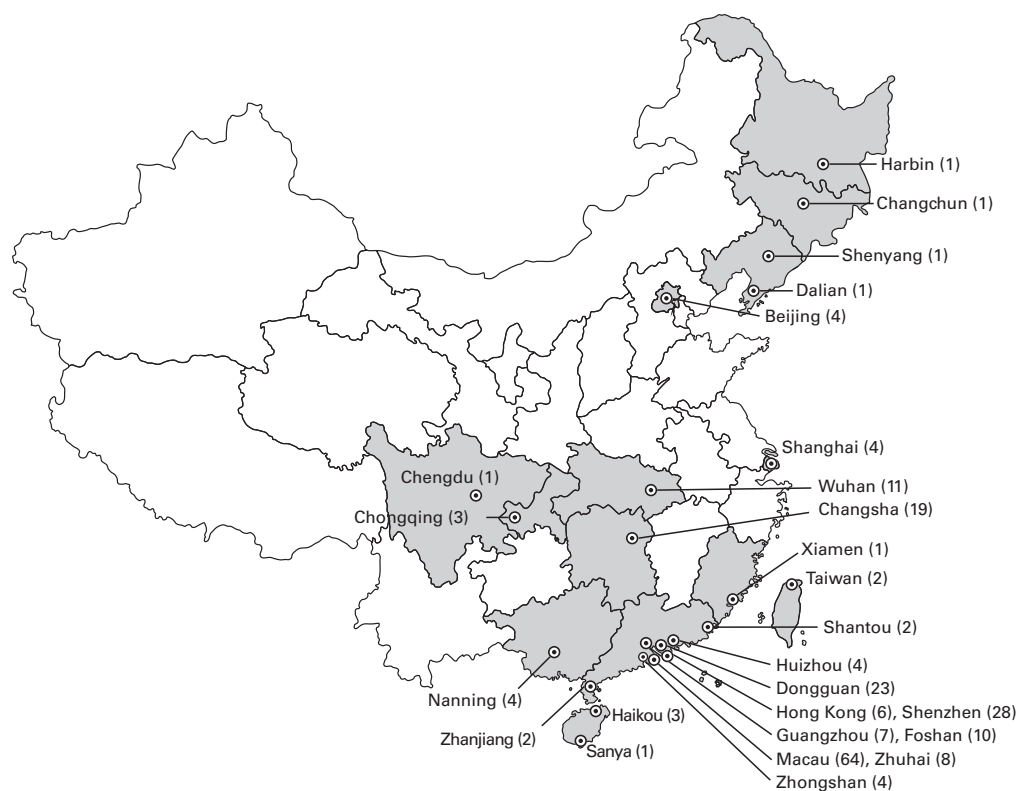
- For the purpose of this table, (i) managed stores, i.e. stores to which we provide store management services, (ii) temporary stores for, among others, consignment sale, (iii) short-term stores that were in operation for three months or less, (iv) pop-up stalls and (v) our online store are excluded.
- Six retail stores that failed to achieve Breakeven Period within Typical Period For Reaching Breakeven Point had subsequently achieved Breakeven Point as at the Latest Practicable Date.
- Five retail stores that failed to achieve investment payback within the Typical Range for Investment Payback Period had subsequently achieved investment payback as at the Latest Practicable Date.

For these retail stores that could not reach Breakeven Point during the Typical Range of Breakeven Period or could not reach Investment Payback Point within the Typical Range of Investment Payback Period, we did not close down these retail stores in the first instance because (i) in some circumstances, we have to maintain long-standing relationship with the relevant landlord and/or brand owner; (ii) we believe the brands are of potential in the long run and the retail stores can reach the Breakeven Point and/or our investment can be paid

back soon and thus, the underperformance of which is only for a short term; (iii) their performance had been improving due to our efforts to boost the sales their branded products; and (iv) some retail stores may have failed to achieve Investment Payback Point but have achieved Breakeven Point and have a positive cashflow.

Geographical Location of Our Retail Stores

As at the Latest Practicable Date, we operated 215 retail stores including 143, 64, six and two retail stores in Mainland China, Macau, Hong Kong and Taiwan, respectively, excluding managed stores, temporary stores, short-term stores, pop-up stalls and online store. The following map shows the geographical distribution of our retail stores in Greater China, and the number in the bracket refers to the number of retail stores in the region, as at the Latest Practicable Date:



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The following table shows the number of our retail stores respectively located in Mainland China, Macau, Hong Kong and Taiwan as at 31 December 2016, 2017, 2018 and 31 July 2019.

Region	As at 31 December			As at 31 July
	2016	2017	2018	2019
Mainland China	131	127	153	150
Macau	55	54	62	65
Hong Kong	2	3	6	7
Taiwan	—	—	—	3
Total	<u>188</u>	<u>184</u>	<u>221</u>	<u>225</u>

Our retail stores in Mainland China are located in Northern China (including the cities of Beijing, Harbin, Changchun and Dalian), Central China (including the cities of Shanghai, Wuhan and Changsha) and Southern China (including the cities of Chongqing, Shenzhen, Guangzhou, Zhuhai, Dongguan, Nanning and Sanya, etc) across Mainland China. Headquartered in Hong Kong, we have regional offices in Macau, Shenzhen and Shanghai. Each of the regional offices is responsible for managing the retail stores in its respective region. Notwithstanding that, our Shanghai regional office is responsible for the marketing and promotional activities of all the retail stores and other sales channels in Mainland China.

The table below sets forth a breakdown of our revenue of our retail stores by geographical locations in terms of province or city for the years and periods indicated:

	FY2016		FY2017		FY2018		For the seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018 HKD'000	%	2019 HKD'000	%
	(Unaudited)									
Mainland China										
Southern China										
Guangdong province ^(Note 1)	273,968	30.3	270,338	26.8	306,704	24.0	177,148	24.6	188,351	22.6
Guangxi Zhuang Autonomous Region ^(Note 2)	23,571	2.6	28,703	2.9	33,098	2.6	18,908	2.6	17,297	2.1
Hainan province ^(Note 3)	—	—	298	— ^(Note 13)	5,781	0.4	1,034	0.1	17,260	2.1
Chongqing city	3,356	0.4	3,768	0.4	5,851	0.5	3,196	0.5	3,899	0.5
Sichuan province ^(Note 4)	—	—	3,647	0.4	4,927	0.4	2,936	0.4	2,602	0.3
Fujian province ^(Note 5)	2,430	0.3	3,946	0.4	3,929	0.3	2,595	0.4	1,596	0.2

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	FY2016		FY2017		FY2018		For the seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018	%	2019	%
							(Unaudited)			
Central China										
Shanghai city	19,989	2.2	19,550	1.9	14,442	1.1	9,807	1.4	9,715	1.2
Hunan province ^(Note 6)	21,359	2.4	27,681	2.8	36,063	2.8	18,856	2.6	25,993	3.1
Hubei province ^(Note 7)	25,519	2.8	28,555	2.8	34,525	2.7	20,409	2.8	18,081	2.2
Others ^(Note 8)	6,675	0.7	6,558	0.6	1,095	0.1	1,095	0.2	153	— ^(Note 13)
Northern China										
Beijing city	24,500	2.7	29,704	3.0	22,558	1.8	13,227	1.8	13,537	1.9
Heilongjiang province ^(Note 9)	—	—	—	—	—	—	—	—	506	0.1
Liaoning province ^(Note 10)	—	—	—	—	—	—	—	—	261	— ^(Note 13)
Jilin province ^(Note 11)	—	—	—	—	—	—	—	—	294	— ^(Note 13)
Others ^(Note 12)	782	0.1	1,307	0.1	—	—	—	—	—	—
Sub-total for Mainland China	402,149	44.5	424,055	42.1	468,973	36.7	269,211	37.4	299,545	36.0
Macau	490,392	54.2	549,401	54.5	745,001	58.3	419,656	58.3	484,157	58.2
Hong Kong	11,634	1.3	34,295	3.4	64,104	5.0	31,340	4.3	45,599	5.5
Taiwan	—	—	—	—	—	—	—	—	2,900	0.4
Total	<u>904,175</u>	<u>100.0</u>	<u>1,007,751</u>	<u>100.0</u>	<u>1,278,078</u>	<u>100.0</u>	<u>720,207</u>	<u>100.0</u>	<u>832,201</u>	<u>100.0</u>

Notes:

- Includes the cities of Dongguan, Foshan, Guangzhou, Huizhou, Shantou, Shenzhen, Zhanjiang, Zhongshan and Zhuhai.
- Includes the cities of Nanning and Liuzhou. As at the Latest Practicable Date, we no longer have retail stores in Liuzhou city.
- Includes the cities of Haikou and Sanya.
- Includes Chengdu city.
- Includes Xiamen city.
- Includes Changsha city.
- Includes Wuhan city.
- Includes Hangzhou city in Zhejiang province and Tianjin city, where we no longer have any retail stores in these two cities as at the Latest Practicable Date.

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9. Includes Harbin city.
10. Includes Dalian city.
11. Includes Changchun city.
12. Includes Qingdao city in Shandong province where we no longer have any retail stores as at the Latest Practicable Date.
13. Denotes a figure that is less than 0.05%.

We strategically open our retail stores in Tier 1 and New Tier 1 cities in Mainland China. We also introduce our mid-to-high end brands offering athleisure wear and sports performance wear to some Tier 2 and Tier 3 cities to attract a younger, more fashion-forward demographic in these cities. In some circumstances, we received subsidies from the landlords of these New Tier 1, Tier 2 and Tier 3 cities for renovation of these retail stores during the Track Record Period as these landlords wanted to attract anchor tenants in their shopping malls. For more information on subsidies from landlords for renovation of retail stores, please refer to note 2.22 of the Accountants' Report in Appendix I to this prospectus.

The table below sets forth the breakdown of our sales in Mainland China according to the tier level of the cities where we operate our retail stores.

City Tier	City	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000	For the seven months ended	
					31 July 2018 HK\$'000	31 July 2019 HK\$'000
Tier 1	Shenzhen	128,447	124,363	123,766	73,706	73,751
	Guangzhou	36,323	28,329	26,919	14,937	16,215
	Beijing	24,500	29,704	22,558	13,227	13,537
	Shanghai	19,989	19,307	14,442	9,807	9,715
Sub-total		209,258	201,703	187,685	111,677	113,218
New Tier 1	Dongguan	42,685	48,767	60,047	34,604	40,739
	Changsha	21,359	27,681	36,063	18,856	25,993
	Wuhan	25,519	28,555	34,525	20,409	18,081
	Chongqing	3,356	3,768	5,851	3,196	3,899
	Chengdu	–	3,647	4,928	2,936	2,602
	Others ^(Note)	7,457	7,750	1,095	1,127	153
Sub-total		100,376	120,168	142,509	81,096	91,467

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City Tier	City	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000	For the seven months ended	
					31 July 2018 HK\$'000	31 July 2019 HK\$'000
Tier 2	Zhuhai	23,589	28,743	39,673	23,259	22,770
	Nanning	23,041	28,818	33,098	18,908	17,297
	Foshan	22,338	17,400	17,021	9,554	14,858
	Haikou	–	298	5,716	1,034	10,070
	Huizhou	5,536	7,549	12,730	7,192	8,566
	Zhongshan	7,020	6,874	6,120	3,931	2,118
	Xiamen	2,431	3,946	3,929	2,595	1,596
	Dalian	–	–	–	–	261
	Harbin	–	–	–	–	506
	Changchun	–	–	–	–	294
Sub-total		83,955	93,628	118,287	66,473	78,336
Tier 3	Sanya	–	–	2,303	–	7,190
	Shantou	6,785	7,993	12,946	7,211	5,876
	Zhanjiang	1,246	563	5,243	2,754	3,458
	Liuzhou	529	–	–	–	–
Sub-total		8,560	8,556	20,492	9,965	16,524
Total		402,149	424,055	468,973	269,211	299,545

Note: Consists of the cities of Hangzhou, Qingdao and Tianjin, which are New Tier One cities where we no longer have retail stores as at the Latest Practicable Date.

Average monthly sales per sq.m. of our retail stores

The figure for average sales per sq. m. is a measure of performance commonly used in the retail industry. While we monitor average sales data per sq.m., we also focus on the operating profit margin per retail store, i.e. a simple comparison between the monthly expenses per sq.m. against the monthly sales per sq.m. in general, when evaluating the performance of our retail stores.

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The following table sets forth the data for our retail stores in Mainland China, Macau and Hong Kong and Taiwan as a whole, revenue generated from our self-operated retail stores, average sales floor and average sales per sq.m. for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019
Total revenue generated from our retail stores (HK\$'000) (Note 1)	904,175	1,007,751	1,278,078	832,201
Average total sales floor area (sq.m.) (Note 2)	26,026	26,547	30,146	34,343
Average sales per sq.m. per month (HK\$) (Note 3)	2,895	3,163	3,533	3,462

Notes

- Only the revenue from our self-operated retail stores is taken into account and thus, the online sales and the sales generated from the managed stores are excluded.
- Average total sales floor area of a year/period = (total sales floor area at the beginning of that year/period + total sales floor area at the end of that year/period/2).
- The average sales per sq.m. per month for our retail stores is equal to Y/Z:

Y = Total revenue generated from our self-operated retail stores/12 or seven months (depending on length of that year/period).

Z = Average total sales floor area of our retail stores.

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The table below sets forth the operating profit margin (*note*) of our retail stores by geographical locations for the years and periods indicated:

Region	City Tier	FY2016	FY2017	FY2018	For the seven months ended	
					31 July 2018	31 July 2019
		%	%	%	%	%
Mainland China	Tier 1	8.5	15.6	6.9	4.9	9.7
	New Tier 1	5.4	11.0	4.5	2.9	6.8
	Tier 2	7.7	19.7	14.2	8.4	14.8
	Tier 3	17.8	22.5	19.3	13.4	21.9
Macau		9.5	14.8	21.1	21.6	16.4
Hong Kong and others		28.8	21.4	12.4	15.7	5.6

Note: The operating profit margin of our retail stores for performance comparison represents the percentage of operating profit over the revenue generated. For the purpose of the table, the operating profit refers to the profit before general and administrative expenses which are not directly correlated to the sales generated, finance costs, other income and losses and taxation.

Among the cities of Mainland China, the operating profit margin of tier 2 and tier 3 cities recorded a higher margin, which was primarily due to lower rental expenses and staff cost incurred comparing with other tiers. Among the periods in the Track Record Period, all regions in Mainland China recorded the highest operating profit margin in FY2017, which was primarily due to the combined effect of highest gross margin recorded in FY2017 mainly resulting from the decrease of provision of inventories of approximately HK\$3.2 million in FY2017 and the decrease in discount activities in FY2017 comparing with FY2016 and the decrease in ratio of selling and marketing expenses to revenue from approximately 42.0% in FY2016 to 36.5% in FY2017, which was mainly attributable to the highest growth rate in same store sales of approximately 9.4% recorded in FY2017 while the growth rate of revenue in Mainland China outweighed the depreciation of right-of-use assets of our retail stores. The operating profit margin of all regions in Mainland China decreased in FY2018 from the overall rate of approximately 15.4% in FY2017 to 8.5% in FY2018 mainly, which was attributable to the decrease in gross profit margin from approximately 51.9% in FY2017 to 46.9% in FY2018 resulting from the higher discount rates offered in FY2018. The operating profit margin of Mainland China for the seven months ended 31 July 2019 was approximately 10.8%, improved from 5.5% for the seven months ended 31 July 2018. The improvement was mainly due to the improvement of gross profit margin from approximately 44.6% for the seven months ended 31 July 2018 to 51.6%

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for the seven months ended 31 July 2019, which was offset by the increase of ratio of selling and marketing expenses to revenue from approximately 39.1% for the seven months ended 31 July 2018 to 40.7% for the seven months ended 31 July 2019.

The operating profit margin in Macau improved from approximately 9.5% in FY2016 to 14.8% in FY2017, which was primarily due to the improvement in gross profit margin from approximately 56.5% in FY2016 to 61.1% in FY2017 that was mainly resulting from claw back of provision of inventories of approximately HK\$1.2 million in FY2017. The operating profit margin in Macau was further improved to approximately 21.1% in FY2018, which was primarily due to the improvement in ratio of selling and marketing expenses to revenue from approximately 46.3% in FY2017 to 40.2% in FY2018, mainly resulting from enhanced efficiency in sales per sq.m. from approximately HK\$5,726 in FY2017 to HK\$7,074 in FY2018. The operating profit margin dropped from approximately 21.6% for the seven months ended 31 July 2018 to 16.4% for the seven months ended 31 July 2019, which was primarily resulting from combined effect of the decrease of gross profit margin from approximately 61.5% for the seven months ended 31 July 2018 to 58.5% for the seven months ended 31 July 2019 mainly resulting from more discount offered in the seven months ended 31 July 2019 and the increase of ratio of selling and marketing expenses to revenue from approximately 40.3% for the seven months ended 31 July 2018 to 42.1% for the seven months ended 31 July 2019 mainly resulting from the increase in rental expenses and staff cost in meeting increasing number of retail stores.

The operating profit margin in Hong Kong decreased from approximately 28.8% in FY2016 to 21.4% in FY2017, which was primarily due to the increase in ratio of selling and marketing expenses to revenue from approximately 31.1% in FY2016 to 41.6% in FY2017 reflecting in the decrease of sales per sq.m. from approximately HK\$22,812 in FY2016 to HK\$8,780 in FY2017 resulting from the introduction of a new fashion sports brand lately in FY2017 with lower average price in FY2017 coupled with the increase in average sale floor area. The operating profit margin in Hong Kong decreased further to approximately 12.4% in FY2018 primarily due to the decrease in gross profit margin from approximately 63.0% in FY2017 to 53.5% in FY2018 primarily due to the introduction of a new fashion sports brand in late 2017 with lower pricing comparing with high value brand sold in FY2016 and FY2017. The operating profit margin decreased from approximately 15.7% for the seven months ended 31 July 2018 to 5.6% for the seven months ended 31 July 2019 primarily attributable to the increase in ratio of selling and marketing expenses to the revenue from approximately 38.1% for the seven months ended 31 July 2018 to 47.1% for the seven months ended 31 July 2019 mainly resulting from the increase in expenses related to right-of-use assets and the increase in staff cost for the seven months ended 31 July 2019.

For details about the monthly sales per sq.m. of our retail stores by regions including Mainland China, Macau and Hong Kong and Taiwan, please refer to the paragraph headed “Financial Information – Key Factors Affecting Our Results of Operations – Monthly sales per sq.m.” in this prospectus.

II. Provision of Store Management Services and Consignment Services

During the Track Record Period, brand owners of various international renowned brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger*, respectively engaged us to provide store management services for their retail stores in Macau (the “**managed stores**”). Our Director believe that it was mainly due to our success in operating our retail stores for other established and upcoming international brands. In this connection, we entered into retail cooperation agreement and the store management service agreement (collectively, the “**store management agreements**”) with the respective brand owners, pursuant to which, the brand owners will ultimately be responsible for payments incurred in the rental and interior décor of the retail stores and also, replenishment of the merchandise and we are responsible for the appointment of store manager and sales representative, keeping the record of the inventory and sales of the merchandise; and daily operation of the retail stores. The brand owners bear the risks and own the title of the merchandise and we are not required to pay for the merchandise until they are sold. If the managed stores sell the merchandise, we will generally be entitled to a lump sum payment and/or the predetermined portion of the sale price of the merchandise as service fee or commission.

While the terms of the store management agreements we entered into with different brand owners are different, the typical terms of the store management service agreements are as follows:

Term	The term of our store management agreements generally lasts for two to five years.
Products	The agreements specifies the products to be sold under the managed stores and the trademarks of these products.
Pricing	The retail price of the products sold at the managed stores are determined by the brand owner.
Inventory	The brand owner is responsible for replenishing the inventory of the managed stores.
Brand owner’s expenses	The brand owner shall be responsible for the costs and expenses arising from or in connection with the operation, such as the rental, management fees/utility fees and the logistics fees, etc.. In some circumstances we pay rental and other utility charges to the landlords in advance and the brand owner will reimburse these expenses to us subsequently while in some circumstances, the brand owners pay rental and other expenses directly to the landlords.

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Our major obligations	Our major obligations generally include: – Provide store operating services set out in the agreement; – Provide sales management; – Carry out the merchandising displays, seasonable presentations/visual display in accordance to the brand owner's direction; – Submit or make available the books and records of the sales of the managed stores to the brand owners for their review and inspection; – Provision of backstage support, necessary office facilities; – Complied with all anti-corruption, anti-bribery and sanction laws and provisions; and/or – Maintenance of data security.
Bank guarantee	In one store management agreement, we have to provide bank guarantee to the brand owner during the term of the agreement.
Title of the products	The title of the products belongs to the brand owner, which together with the related legal risk are passed to the end-customers when the product is sold. However, we have to bear the risk of the inventory stored at the managed stores.
Information system	We have to install POS system and other system as designated or provided by the brand owner at every managed store.
Key performance index (KPI)	One agreement provided for the KPI, which is based on the minimum net sales as set out in the agreement. Our Directors confirmed that the Group had not breached the KPI imposed by the brand owner during the Track Record Period which had resulted in any complaint or threatened termination of the store management agreement with us.

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Sales revenue	We shall collect the sales revenue from the managed stores and pay the same to the brand owner's designated account and be accountable for the same.
Service fee	The brand owner shall pay service fee or commission to our Group, which varies according to the location of the managed stores comprising lump sum payment and/or payment calculated as certain percentage of the net sales of the managed stores. During the Track Record Period, our service fee charged for our store management services was generally the higher of a lump sum of not more than HK\$50,000 per month, or on a percentage basis generally ranging from 5–10% of net sales.
Code of conduct	We have to strictly follow the brand owner's code of conduct and ethics applicable to all its business partners.
List of competing goods	In one agreement, we have provided a list of competing products that we may distribute and sought the brand owner's approval thereof.
Termination	The agreement will be terminated upon expiration unless it is duly renewed. It is also terminable by the brand owner if we are in default or in breach of any term of the agreement.

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue generated from our provision of store management services amounted to approximately HK\$32.5 million, HK\$32.4 million, HK\$29.3 million and HK\$20.1 million, respectively, which represented approximately 3.4%, 3.0%, 2.2% and 2.3% of our total revenue for the corresponding years/period accordingly.

We also provided consignment service to one of our suppliers during the seven months ended 31 July 2019, generating a revenue of approximately nil, nil, nil and HK\$28.5 million, respectively, during the Track Record Period. We have ceased to provide consignment service subsequent to the Track Record Period as it is not one of our regular sales channels. For more details about of consignment service, please refer to the paragraph headed "Entities Who Are Both Our Customers and Suppliers – Club 21" in this section.

III. Our Wholesale Services

We entered into a cooperation agreement with the brand owner of *Neil Barrett* and its ultimate shareholder on 15 April 2015 (which was further supplemented on 3 October 2016 and 10 September 2018) to form NB China, our non-wholly owned subsidiary, for the sale and supply of *Neil Barrett* branded ready-to-wear apparel in Mainland China. For details about the

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arrangement regarding our cooperation with *Neil Barrett*, please see the paragraph headed “Suppliers - Cooperation with *Neil Barrett*” in this section.

To expand the geographic coverage of our merchandise and complement our self-operated retail stores for the *Neil Barrett* products, NB China, entered into master sub-distribution agreements with two sub-distributors, one in Zhuhai and the other in Harbin in September 2016 and November 2016, respectively granting it a non-exclusive distribution right for the sale of *Neil Barrett* branded ready-to-wear apparel in retail stores operated by these sub-distributors in Chongqing and Shenyang, respectively. Subsequently, further sub-distribution agreements were entered into between NB China and these sub-distributors in respect of the distribution arrangement with them for the opening of mono-brand retail stores selling *Neil Barrett* branded ready-to-wear apparel in Xi’an, Nanjing, Jinan, Taiyuan, Xuzhou, Harbin, Changchun and Shenyang (in another shopping mall).

The master sub-distribution agreement NB China entered into with each sub-distributor in respect of our *Neil Barrett* products is legally binding and enforceable under PRC law. The salient terms of the master sub-distribution agreement are set forth as below:

Term	The term of the master sub-distribution agreement ranges from two to three years and the term can be renewed by mutual agreement.
Non-exclusivity	The distribution right granted to the sub-distributor to distribute and sell <i>Neil Barrett</i> products is non-exclusive.
Place of distribution	The said distribution right granted to the sub-distributor is limited to a particular shopping mall or location specified in the master sub-distribution agreement or in the subsequent authorisation letter
Security deposit	The sub-distributor is required to pay a deposit per retail store for the amount set out in the agreement, which is refundable upon expiry or termination of the sub-distribution agreement.
Retail store decoration	The decoration of the retail stores opened by the sub-distributor shall follow the design of the brand owner and approved by NB China. The sub-distributor shall bear all the renovation cost.
Guidelines	NB China shall provide marketing materials and guideline to the sub-distributor in respect of its management and operation of the retail stores; and provide training to its staff.

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Our inspection right	NB China has the right to inspect the retail stores operated by the sub-distributor and its inventory and provide guidance to its sales management, product management, human resources management and financial record keeping etc. and provide necessary software to the sub-distributor to record its sales.
Purchase price	<i>Neil Barrett</i> products are sold to the sub-distributors at different discount levels to the recommended retail prices, and the extent of discount depends on the extent the sub-distributor can reach the target sales in terms of sale values and whether it has reached the minimum purchase requirement.
Recommended retail price	Our sub-distributor is required to follow our recommended retail price for selling our products.
Non-competition	Our sub-distributor is not allowed to sell or promote any products not supplied under the master sub-distribution agreement in the retail stores.
Sales target and minimum purchase requirement	The sub-distribution agreement impose the sales target and minimum purchase requirement on the sub-distributor for each year during the term of the agreement.
Payment	The sub-distributors shall pay the purchase price before the products are to be delivered to them. NB China invoices the sub-distributors before the delivery of products to the sub-distributors and the sales of the products are recognised as revenue when the products are delivered to the location designated by the sub-distributor. The sub-distributor generally bears the costs of delivery and insurance.
Inventory level	The sub-distributor has to maintain at least two months' inventory to meet the demand of end-customers.
Exchange of products	The sub-distributor exchanges the products that are defective within 15 days after receipt of the products.
Termination	The sub-distribution will be terminated upon expiration or upon occurrence of any event of default set out in the sub-distribution agreement whereby the non-defaulting party can terminate the agreement unilaterally with the right to claim damages against the defaulting party.

After entering into the master sub-distribution agreements with our two sub-distributors, these sub-distributors have subsequently opened retail stores or concession counters at the shopping mall to expand the sale network of Neil Barrett products in Mainland China.

Though we only have two sub-distributors for our *Neil Barrett* products during the Track Record Period and the risk of cannibalisation of the *Neil Barrett* products is rather remote, we adopt the following policies to avoid any possible cannibalisation: (i) not granting further sub-distribution right to any other sub-distributors within the same geographical area even though the sub-distribution right granted to the sub-distributor is non-exclusive; (ii) maintaining regular communication with our sub-distributors; (iii) ensuring that the sub-distributors would strictly adhere to our recommended retail price in the sale of the products and would not provide big discounts to the retail price without our consent; and (iv) analysing the sales reports provided by the sub-distributors from time to time.

During the Track Record Period and up to the Latest Practicable Date, save for the master sub-distribution agreements with the sub-distributors and the subsequent sub-distribution agreement or authorisation letter issued to the sub-distributors authorising it to sell our *Neil Barrett* products at the designated shopping mall or retail store, we had not sold *Neil Barrett* merchandise to any other distributors pursuant to any long-term supply contract.

None of our Directors or their respective close associates or any of our Shareholders who own more than 5% of our issued share capital had any interest in any of our sub-distributors during the Track Record Period and as at the Latest Practicable Date.

OUR BRAND PORTFOLIO

As at the Latest Practicable Date, our brand portfolio had 113 brands comprising 110 international brands and three our own brands. We adjust our brand mix in response to market trend and customers' demands, and continuously seek to expand our brand portfolio by adding new stylish and chic international fashion and lifestyle brands that appeal to the taste of our target customers who are affluent and in pursuit of a chic and stylish lifestyle. Apart from renowned and popular international brands, our brand portfolio also includes our own brands *UM*, *UM•IXOX* and *IXOX*.

Our international brands

Our Directors believe that we are capable of identifying stylish and chic international brands that appeal to the taste of our target customers. Such ability is crucial in maintaining competitiveness of the Group's retail business.

As at 31 December 2016, 2017 and 2018 and 31 July 2019 and the Latest Practicable Date, our brand portfolio had 58, 54, 60, 115 and 113 brand. Of our current 113 brands, 110 brands are international brands ranging from established designer label brands, popular global brands to up-and-coming brands, and three are our own brands for distribution in our retail stores. Of all these international brands, 20, 23, 28, 31 and 29 international brands for which we opened

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mono-brand stores as at 31 December 2016, 2017 and 2018, 31 July 2019 and the Latest Practicable Date include brands such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *EA7*, *Ed Hardy*, *Hogan*, *Moschino*, *Neil Barrett*, *Philipp Plein*, *Tommy Hilfiger* and *Under Armour* etc.

We ceased the operation of mono-brand stores for seven, one, nil, nil and three brand(s) for FY2016, FY2017, FY2018, the seven months ended 31 July 2019 and the subsequent period up to the Latest Practicable Date mainly due to the lack of potential or loss of popularity of the relevant brands and the resultant underperformance of the mono-brand stores. In such circumstances, the relevant brand owners and us mutually agreed that the distribution agreement would not be renewed upon expiration or be terminated. Notwithstanding that, on one occasion during the Track Record Period, the brand owner of a well-known American premium clothing brand for men's, women's and kid's sportswear, denim, accessories and footwear refused to renew our distribution agreements whereby we had to close down the retail stores of the brand opened in Tier 1 cities in Mainland China as the brand owner planned to operate its own-brand retail stores in Tier 1 cities in Mainland China by itself. Despite the closure of our retail stores under this brand in Tier 1 cities, we still operated mono-brand stores for this brand in Tier 2 cities in Mainland China as at the Latest Practicable Date. Our Directors confirm that other than this incident, no brand owners had refused to renew their distribution agreements with our Group during the Track Record Period.

The table below sets forth the changes in the number of brands we operated during the Track Record Period and up to Latest Practicable Date:

	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019	Subsequent to the seven months ended 31 July 2019 to Latest Practicable Date
Number of brands operated under mono-brand stores					
At the beginning of the year/period	25	20	23	28	31
Addition during the year/period (Note 1)	2	4	5	3	1
Ceased during the year/period	(7)	(1)	–	–	(3) ^(Note 2)
At the year/period end	<u>20</u>	<u>23</u>	<u>28</u>	<u>31</u>	<u>29</u>

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	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019	Subsequent to the seven months ended 31 July 2019 to Latest Practicable Date
Number of brands operated					
under multi-brand stores (Note 3)					
At the beginning of the year/period	53 ^(Note 6)	38	31	32	84
Addition during the year/period (Note 4)	10	6 ^(Note 7)	5	52	13 ^(Note 2)
Ceased during the year/period (Note 5)	(25)	(13)	(4)	–	(13)
At the year/period end	<u>38</u>	<u>31</u>	<u>32</u>	<u>84</u>	<u>84</u>
Total	<u>58</u>	<u>54</u>	<u>60</u>	<u>115</u>	<u>113</u>

Notes:

1. We started operating mono-brand stores for *Calvin Klein Performance* and *Maison Margiela* during FY2016, *Under Armour*, *G Givenchy*, *Coccinelle* and *Plein Sport* during FY2017, *EA7*, *Philipp Plein*, *Stella McCartney*, *Ed Hardy X* and *M.A.C.* during FY2018, *Sergio Rossi*, *DKNY* and *LI-NING* during the seven months ended 31 July 2019, and *Balmain* subsequent to 31 July 2019 and up to the Latest Practicable Date.
2. Included the *Sergio Rossi* mono-brand store in Taiwan which was temporarily closed as at the Latest Practicable Date pending relocation to a new premises as at the Latest Practicable Date, but its branded products continue to be offered for sale in our multi-brand stores.
3. If a brand's apparel is offered for sale in both mono-brand stores and multi-brand stores, for the purpose of this prospectus, it will be counted as the mono-brand stores only. Hence, the number of brands with products sold in multi-brand stores excludes those brands which are already included in the mono-brand stores.
4. We started selling merchandise from brands like *LITTLE MARC JACOBS* and *JOSHUA'S* in our multi-brand stores during FY2016, brands like *Stella McCartney*, *GIVENCHY*, and our own brands *UM•IXOX* and *IXOX* during FY2017, brands like *Kenzo* and *Paul Smith Junior* during FY2018, and brands like *Alexander Wang*, *Balenciaga*, *Chiara Ferragni*, *Fornasetti*, *Pinel & Pinel* and *Yohji Yamamoto* during the seven months ended 31 July 2019.
5. During the Track Record Period, we streamlined the portfolio of brands operated under multi-brand stores to increase the inventory turnover by ceasing to purchase products of 42 brands.
6. Includes our own brand *UM*, which we continued to sell throughout the Track Record Period and up to the Latest Practicable Date.
7. Includes two of our own brands *UM•IXOX* and *IXOX*, which we continued to sell throughout the Track Record Period and up to the Latest Practicable Date.

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The international brands carried by our mono-brand stores

To govern our relationship with the brand owners or their master/authorised licensors of the international brands carried by our mono-brand stores, we generally enter into distribution agreements with them. As at the Latest Practicable Date, there was a total number of 44 distribution agreements and two authorisation letters which were subsisting and governed our distribution right of 30 international brands and our operation of mono-brand stores for these brands. The number of distribution agreements exceeds the number of corresponding brands as some brand owners prefer entering into a separate distribution agreement with us for each mono-brand retail store that sells their products. Of the two authorisation letters, (i) one was issued by the brand owner of *Zimmerli* to us and authorised us to distribute their products for a term of five years; and (ii) one by the brand owner of *Plein Sport* to us and authorised us to distribute their products on every six-month basis from time to time. The following table sets forth the maturity profile of the distribution agreements expiring in the year indicated and yet to be renewed as at the Latest Practicable Date:

	Year ending 31 December				Total
	2019	2020	2021	2022 and beyond	
Number of distribution agreements expiring in	5 ^(Note 1)	12 ^(Note 2)	14 ^(Note 3)	13 ^(Note 4)	44

Notes:

1. Includes major brands such as *CK CALVIN KLEIN* and *Ed Hardy X* (Mainland China) etc. The revenue attributable to the five distribution agreements expiring in 2019 but yet to be renewed as at the Latest Practicable Date amounted to HK\$135.9 million, HK\$137.8 million, HK\$125.6 million and HK\$66.1 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, representing approximately 14.3%, 12.9%, 9.3% and 7.4% of our total revenue for the respective year/period.
2. Includes major brands such as *Love Moschino* and *Moschino* (in respect of three shopping malls in Macau), etc. As at the Latest Practicable Date, the distribution agreements expired in 2019 in relation to Brand B (a designer label fashion brand founded by a designer in Spain offering high-end women's fashion) in Mainland China and Macau had been renewed automatically until 2020.
3. Includes major brands such as *Ed Hardy* (Mainland), *Ed Hardy* (Macau), *Hogan*, *Moschino* (in respect of one shopping mall in Macau) and *Under Armour* (Mainland China and Hong Kong) etc. The distribution agreements expired in 2019 including those in relation to *Calvin Klein Jeans* (Mainland China), *Calvin Klein Performance* (Mainland China), *Calvin Klein Underwear* (Mainland China), *Ed Hardy* (Hong Kong) and *Tommy Hilfiger* (Mainland China) had been successfully renewed until 2021.
4. Includes major brands such as *Neil Barrett* and *Under Armour* (Macau) etc.

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Distribution agreements expiring before the end of 2019

It is noted that five distribution agreements covering four brands will expire before the end of 2019 but are yet to be renewed as at the Latest Practicable Date. The following table sets forth the status of renewal of these distribution agreements as at the Latest Practicable Date:

Brand	Number of distribution agreements	Territory of distribution	Status as at or subsequent to the Latest Practicable Date
<i>BLACKBARRETT</i>	2	Mainland China and Macau	We are entitled to renew the distribution agreements upon expiration on 31 December 2019. (Note 1)
Brand C (Note 2)	1	Macau	The negotiation for renewal of the distribution agreement has reached mature stage pending finalising the terms of the agreement. (Note 3)
<i>CK CALVIN KLEIN</i>	1	Macau	The negotiation for renewal of the distribution agreement has reached final stage pending signing of the formal distribution agreement. As confirmed by our Directors, the formal distribution agreement is expected to be signed in or around January 2020 as we have already reached consensus with the master licensor on the key terms of the formal distribution agreement such as the duration of our distributorship and our sales target for each year during the subsistence of the new distribution agreement. Our right to sell the <i>CK CALVIN KLEIN</i> branded products will be renewed for a term of three years. Meanwhile, our Group has started placing purchase orders for the branded products for the fall/winter season of 2020 with reference to our sales target. (Note 4)
<i>Ed Hardy X</i>	1	Mainland China	We planned not to seek for renewal of the distribution agreement as we plan to cease the operation of the mono-brand store for this brand in Mainland China. (Note 5)

Notes:

- Our existing distribution agreements in relation to *BLACKBARRETT* in Mainland China and Macau respectively will expire on 31 December 2019. Pursuant to the existing distribution agreements, our Group may renew the relevant distribution rights for a further term of three years.

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2. Brand C is an Italian brand of luxury apparel and accessories founded by a Swiss designer.
3. Our existing distribution agreement in relation to Brand C will expire on 31 December 2019. We started business with its brand owner in 2014. In the past dealings, we used to start negotiation with the brand owner regarding the renewal of our distribution agreement a few months before the agreement was to expire. The revenue generated from the retail sale of Brand C products amounted to approximately HK\$5.8 million, HK\$12.3 million, HK\$12.5 million and HK\$7.9 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 respectively, representing approximately 0.6%, 1.2%, 0.9% and 0.9% of our total revenue for the respective year/period.
4. Our existing distribution agreement in relation to *CK CALVIN KLEIN* in Macau will expire on 31 December 2019. Owing to our long-term business relationship with its master/authorised licensor, namely Club 21, which commenced in 2007, we used to start negotiation with its master/authorised licensor regarding the renewal of our distribution agreement a few months before the agreement was to expire. As at 31 December 2016, 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date, we operated six, six, seven, seven and five mono-brand stores of *CK CALVIN KLEIN* in Macau and the revenue generated from the retail sale of *CK CALVIN KLEIN* branded products in mono-brand stores in Macau amounted to approximately HK\$102.8 million, HK\$97.7 million, HK\$97.5 million and HK\$51.3 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 10.8%, 9.2%, 7.2% and 5.8% of our total revenue for the respective year/period.
5. As *Ed Hardy X* was launched only in 2017, we operated only one, one and one mono-brand store of *Ed Hardy X* as at 31 December 2018, 31 July 2019 and as at the Latest Practicable Date and the revenue generated from the retail sale of *Ed Hardy X* branded products amounted to approximately HK\$48,500 and HK\$0.4 million for FY2018 and the seven months ended 31 July 2019, respectively, representing less than 0.1% and less than 0.1% of our total revenue for the respective year/period.

As at the Latest Practicable Date, we are in the course of negotiation with the relevant brand owners or their master/authorised licensors of our major brands such as Brand C and *CK CALVIN KLEIN* for renewal of our existing distribution agreements. Our negotiation related to Brand C had reached mature stage pending finalisation certain terms of the agreement while our negotiation related to *CK CALVIN KLEIN* had reached final stage pending signing of the formal agreement, which is expected to take place in or around January 2020. As at the Latest Practicable Date, we had already reached consensus with the master licensor of *CK CALVIN KLEIN* in respect of certain key terms of the formal distribution agreement including the duration of our distributorship and our sales target for each year during the subsistence of the new distribution agreement. As such, our Group has started placing purchase orders for the branded products for fall/winter seasons of 2020 with reference to our sales target agreed with the master licensor. In the unlikely event that we fail to renew our distribution rights in relation to these brands or any of them, or on the similar or better terms, our business financial performance may be adversely affected. For further details, please refer to the paragraph headed “Risk Factors – Failure to maintain good business relationship with international brand owners of our fashion apparel and lifestyle products may adversely affect our profitability” in this prospectus. Nevertheless, our Directors consider that we have a good prospect of renewing these distribution agreements due to the following factors:

- (i) *We have profound experience in the apparel retail industry in Greater China.* With over 14 years of experiences in the apparel retail industry in Greater China, particularly, according to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately

4.3%, international brand owners have generally regarded us as their strategic partner in promoting their brands and introducing their new products in Greater China market. As at the Latest Practicable Date, our Group has 215 retail stores located across Mainland China, Macau, Hong Kong and Taiwan, while our brand portfolio consists of 113 brands, consisting of 110 international brands and three own-brands. In addition to the geographical advantage of our retail stores and diversified brand portfolio, our Directors believe that our strong and sustainable relationship with commercial property owners in securing strategically located premises for opening of retail stores, especially in high-end shopping malls or department stores, which would help maintain or enhance their brand images and be accessible by a wide spectrum of potential customers is one of our key competitive advantages that the brand owners would take into account when deciding to renew their distribution agreements with us. On the other hand, from the brand owners' perspective, maintaining business relationship with our Group is in their strategic interest. With our established distribution capabilities and retail network, the brand's premium image and products can be well developed, marketed and distributed.

- (ii) *Our long-term business relationship with brand owners or their master/authorised licensors.* Our business relationship with the brand owners or their master/authorised licensors of *CK CALVIN KLEIN* and Brand C started since 2007 and 2014, respectively. Since our commencement of business with any of them, there has been no material breach of the distribution agreement or disagreement between our Group and any of them, which would render the latter to threaten to terminate our distribution rights.
- (iii) *Renewal process has reached either mature stage or final stage, which is within usual time frame.* Since commencement of our business relationships with these brand owners or their master/authorised licensors, our distribution rights under these distribution agreements have subsisted continuously. Our Directors confirm that from their experience and past dealings with these brand owners or their master/authorised licensors, our current progress in securing renewal of the distribution agreements is within the usual timeframe of renewal of our distribution agreements and is consistent with our past dealings with these brand owners. We generally engage in negotiation with individual brand owners or their master/authorised licensors for renewal of the distribution agreements within one to two months before the expiration date thereof. During the interim period after the expiration of a distribution agreement but before the new agreement is formally signed, we are generally allowed to continue to retail the apparel products based on the new terms and conditions of the new distribution agreement even before the new distribution agreement is yet to be signed by the parties formally. As confirmed by our Directors, the respective brand owners or their master/authorised licensors of Brand C and *CK CALVIN KLEIN* have indicated their intention to continue their business relationship with us and the negotiation with the respective brand owner and master/authorised licensors had reached mature and final stage, respectively. Furthermore, we have finalised the key terms of the distribution agreement related to *CK CALVIN KLEIN* with the master licensor such as the duration

of our distributorship and our yearly sales target, pending signing of the formal agreement by the parties, which is expected to take place in or around January 2020. From our past dealings with the master licensor of *CK CALVIN KLEIN*, after we have reached consensus with the master licensor on the key terms of the distribution agreement, we are allowed to continue to retail the branded products pending the signing of the formal agreement, which will take place a few months after the expiry of the preceding distribution agreement. For instance, our existing distribution agreement was signed in March 2017 after the expiration of the preceding one by the end of December 2016. Meanwhile, we have placed orders for the branded products for the fall/winter season in 2020 with reference to our sales target and to retail the branded products at our retail stores. At the same time, we had started placing purchase orders for *CK CALVIN KLEIN* products for fall/winter season in 2020.

In light of the above, our Directors take the view that there should not be any difficulty or legal impediment for us to renew the distribution agreements related to Brand C and *CK CALVIN KLEIN* expiring by the end of 2019.

Distribution agreements expiring before the end of 2020

It is noted that 12 distribution agreements covering seven brands will expire before the end of 2020. The following table sets forth the expiry date and the expected time to commence negotiation of the renewal of these distribution agreements as at the Latest Practicable Date:

Brand	Number of distribution agreements	Territory of distribution	Expiry date	Expected time to commence negotiation (Note 1)
Brand D (Note 2)	1	Macau	31 July 2020	May to June 2020
Brand B (Note 3)	2	Mainland China and Macau	30 September 2020	The distribution agreements will be renewed automatically upon expiration
Brand C (Note 4)	1	Macau	31 December 2020	October to November 2020
Brand E (Note 5)	3	Mainland China	30 June 2020 21 November 2020 30 May 2020	April to May 2020 September to October 2020 March to April 2020
Brand F (Note 6)	1	Macau	10 December 2020	October to November 2020
Love Moschino (Note 7)	1	Macau	30 June 2020	April to May 2020
Moschino (Note 8)	3	Macau	Spring/Summer 2020	April to May 2020

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Notes:

1. The expected time to commence negotiation is based on the best estimation of our Directors with reference to our past dealings.
2. It relates to a global prestige beauty brand founded in 1991 in New York City by a makeup-artist-turned-entrepreneur. We started business relationship with the brand owner since 2015. As at 31 December 2016, 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date, we operated one, one, one and one mono-brand stores of this brand in Macau and the revenue generated from the retail sale of its branded products in Macau amounted to approximately HK\$5.0 million, HK\$5.7 million, HK\$7.8 million and HK\$4.8 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 0.5%, 0.5%, 0.6% and 0.5% of our total revenue for the respective year/period.
3. Brand B is a designer label fashion brand founded by a designer in Spain offering high-end women's fashion. We started business relationship with the brand owner of Brand B since 2011. The revenue generated from the retail sale of Brand B products in Mainland China and Macau amounted to approximately HK\$20.0 million, HK\$18.9 million, HK\$19.3 million and HK\$6.4 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 2.1%, 1.8%, 1.4% and 0.7% of our total revenue for the respective year/period.
4. This distribution agreement relates to a different mono-brand retail store of Brand C in a different location in Macau other than the aforesaid distribution agreement expiring before the end of 2019. For further details of such distribution agreement and the background of Brand C, please refer to the sub-paragraph headed "Distribution agreements expiring before the end of 2019" in this section above.
5. It relates to a contemporary menswear brand building upon the classic style that offers ready-to-wear and accessories. Our first mono-brand store for this brand was launched in 2017. We operated three, three, three and three mono-brand stores of this brand as at 31 December 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date and the revenue generated from the retail sale of its branded products amounted to approximately HK\$2.5 million, HK\$11.2 million and HK\$7.6 million for FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 0.2%, 0.8% and 0.9% of our total revenue for the respective year/period.
6. It relates to a renowned artisan and luxury chocolate brand originated in France. We started business relationship with the brand owner since 2015. As at 31 December 2016, 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date, we operated three, two, one, one and one mono-brand stores of the brand in Macau and the revenue generated from the retail sale of its branded products in Macau amounted to approximately HK\$4.4 million, HK\$5.9 million, HK\$6.3 million and HK\$3.4 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 0.5%, 0.6%, 0.5% and 0.4% of our total revenue for the respective year/period.
7. We started business relationship with the brand owner of *Love Moschino* since 2012. As at 31 December 2016, 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date, we operated two, one, one, one and one mono-brand stores of *Love Moschino* in Macau and the revenue generated from the retail sale of *Love Moschino* branded products in Macau amounted to approximately HK\$13.4 million, HK\$6.1 million, HK\$9.8 million and HK\$3.7 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 1.4%, 0.6%, 0.7% and 0.4% of our total revenue for the respective year/period.
8. We started business relationship with the brand owner of *Moschino* since 2012. As at 31 December 2016, 2017 and 2018, 31 July 2019 and as at the Latest Practicable Date, we operated five, five, five, five and six mono-brand stores of *Moschino* in Macau and the revenue generated from the retail sale of *Moschino* branded products in Macau amounted to approximately HK\$70.3 million, HK\$87.1 million, HK\$92.4 million and HK\$52.3 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 7.4%, 8.2%, 6.9% and 5.9% of our total revenue for the respective year/period.

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As we have (i) maintained good-standing business relationships with the brand owners or their master/authorised licensors; and (ii) duly performed our obligations under the relevant distribution agreements in all material respects, our Directors take the view that there should not be any impediments for us to seek renewal of these distribution agreements upon their expiration. As at the Latest Practicable Date, we have not started negotiation with the relevant brand owners or their master/authorised licensors with respect to the renewal of the relevant distribution agreements expiring in 2020. Similar to our past dealings, our Group would generally commence negotiation of renewal of our distribution agreements with the relevant brand owners or their master/authorised licensors one to two months prior to the expiry of the distribution agreements after evaluating the sales performance of the relevant mono-brand store(s), the then prevailing market condition and customers' reception to the relevant branded products.

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The term of the distribution agreements entered into between the brand owners or their master/authorised licensors and us generally ranges from one to five years. The following table sets forth the portfolio of the major international fashion and lifestyle products brands that we sold in our mono-brand stores as at the Latest Practicable Date:

Brand	Brand Origin (Note 1)	Major merchandise offered	The calendar year in which the brand owner first started to have business relationship with our Group	Approximate price range of major merchandise sold in our retail stores (Note 2) approximate (HKD)	Territory	Expiry date of the relevant distribution agreement/ authorisation letter in the respective territory
<i>Ed Hardy</i>	United States	Apparel	2012	1,000–26,000	Macau Mainland China Hong Kong	30 June 2021 31 December 2021 30 June 2021
<i>CK CALVIN KLEIN</i>	United States	Apparel	2007	300–40,000	Macau	31 December 2019
<i>Calvin Klein Jeans</i>	United States	Apparel	2011	400–13,000	Mainland China	31 August 2021
<i>Calvin Klein Performance</i>	United States	Apparel and performance sports apparel	2011	400–4,000	Mainland China	31 August 2021
<i>Calvin Klein Underwear</i>	United States	Apparel	2011	200–2,500	Mainland China	31 August 2021
<i>Neil Barrett</i> ^(Note 3)	Italy	Apparel	2015	1,800–40,000	Macau Mainland China Taiwan	Fall/Winter 2025 Fall/Winter 2025 Fall/Winter 2025
<i>Tommy Hilfiger</i>	Netherlands	Apparel	2011	400–9,000	Mainland China	31 August 2021
<i>Moschino</i>	Italy	Apparel	2012	1,300–52,000	Macau	Spring/Summer 2020
<i>Under Armour</i>	United States	Apparel	2016	120–3,000	Macau Mainland China Hong Kong	31 July 2022 31 December 2021 31 December 2021

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Brand	Brand Origin (Note 1)	Major merchandise offered	The calendar year in which the brand owner first started to have business relationship with our Group	Approximate price range of major merchandise sold in our retail stores (Note 2) approximate (HKD)	Territory	Expiry date of the relevant distribution agreement/ authorisation letter in the respective territory
<i>Hogan</i>	Italy	Footwear	2013	2,700–10,000	Macau	31 May 2021
<i>Philipp Plein</i>	Germany	Luxurious and contemporary apparel	2018	1,500–40,000	Macau Mainland China	Spring/Summer 2023 Pending execution of a formal distribution agreement (Note 4)
<i>EA7</i>	Italy	Apparel	2011	600–5,000	Mainland China	6 and 15 December 2023
<i>Zimmerli</i>	Switzerland	Apparel	2013	500–8,400	Macau Hong Kong	31 May 2020 31 May 2020

Notes:

1. The information about the brand origin is based on publicly available information.
2. Refers to the approximate price range of major merchandise sold in our retail stores.
3. The relationship between the brand owner of *Neil Barrett* and our Group is governed by a cooperation agreement instead of a distribution agreement. For more details, please refer to the paragraphs headed “Suppliers – Cooperation with *Neil Barrett*” of this section.
4. As at the Latest Practicable Date, our Group and the brand owner of *Philipp Plein* had entered into a legally binding letter of intent in relation to our Group’s distribution right of *Philipp Plein* branded products in Mainland China. Subsequent to the letter of intent, our Group and the brand owner of *Philipp Plein* had been negotiating the terms and conditions of the formal distribution agreement.

BUSINESS

The following table sets forth examples of products sold in mono-brand stores for some of our major brands.

Brand

Example of products

Ed Hardy



CK CALVIN KLEIN



Calvin Klein Jeans



Brand

Example of products

Calvin Klein Performance



Calvin Klein Underwear



Neil Barrett



BUSINESS

Brand

Example of products

Tommy Hilfiger



Moschino



Under Armour



BUSINESS

Brand

Example of products

Hogan



Zimmerli



Love Moschino



BUSINESS

As our Group manages and distributes merchandise from a board portfolio of international fashion and lifestyle brands, our Directors believe that if any of these international brands is to cease its cooperation with us, the variety and attractiveness of the merchandise offered by us will not be materially affected.

Our own *UM*, *UM•IXOX* and *IXOX* brands

Leveraging our understanding on fashion trend and our fashion apparel retail experience in Greater China, our Group started developing our own brands, namely *UM*, *UM•IXOX* and *IXOX*. The production of apparel under our own brands, *UM*, *UM•IXOX* and *IXOX* brands is outsourced to Independent Third Party manufacturers in Mainland China on OEM basis. As at the Latest Practicable Date, our Group designated a design team comprising two designers and two supporting staff members to develop and market the *UM*, *UM•IXOX* and *IXOX* brands.

We experienced a considerable growth in revenue from the sales of our *UM*, *UM•IXOX* and *IXOX* branded apparel through our multi-brand stores. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from the sales of *UM*, *UM•IXOX* and *IXOX* branded products amounted to approximately HK\$2.2 million, HK\$5.6 million, HK\$26.2 million and HK\$20.0 million, respectively, representing approximately 0.2%, 0.5%, 1.9% and 2.2% of our total revenue, respectively.

Though the revenue contributed by our own brands was not significant during the Track Record Period, our Directors believe that the brand recognition of our own brands in the apparel retail market had been increasing after the inception stage of the development of the brand.

It is also our strategy to use our multi-brand stores as a platform to nurture emerging brands. During the Track Record Period, we identified emerging brands and diffusion line of established international brands, and carried these brands in our *UM* multi-brand stores. The merchandise of these emerging brands was displayed and offered for sale together with the merchandise of established international brands to enhance their brand recognition. Once these emerging brands had become a proven seller in our *UM* multi-brand stores, we would consider expanding the sales of products of these brands by opening mono-brand stores under the name of the brands.

OUR MERCHANDISE

Our Directors believe that fashion makes a statement and is a manifestation of one's lifestyle. We have over the years offered merchandise that manifested the philosophy of our customers who are in pursuit of a chic and stylish lifestyle.

BUSINESS

Our merchandise can be broadly divided into four main categories namely, (i) fashion apparel including fashion accessories; (ii) footwear; (iii) cosmetic and skincare; and (iv) lifestyle products. The following table sets forth the breakdown of revenue of our retail stores (excluding online sales) in respect of our major merchandise category based on their brands for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019:

Categories of our brands by their major product category	Revenue									
	For the seven months ended 31 July									
	FY2016		FY2017		FY2018		2018		2019	
	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%
Fashion Apparel	857,623	94.8	972,708	96.5	1,237,619	96.8	697,585	96.9	784,899	94.3
Footwear	33,104	3.7	23,434	2.3	24,407	1.9	14,393	2.0	15,810	1.9
Cosmetics and skincare	9,033	1.0	5,719	0.6	9,705	0.8	4,419	0.6	20,877	2.5
Lifestyle products	4,414	0.5	5,890	0.6	6,347	0.5	3,810	0.5	10,615	1.3
Total	904,175	100.0	1,007,751	100.0	1,278,078	100.0	720,207	100.0	832,201	100.0

It is our strategy to expand our merchandise portfolio and keep ourselves abreast of the latest trend of our brands and our diverse range of merchandise from time to time. For instance, to capture the growth in the athleisure wear and performance sports wear business, we opened mono-brand stores with a focus on athleisure wear and performance sports wear, for instance, *Calvin Klein Performance*, *Under Armour*, *EA7* and *LI-NING*, etc. since September 2016 and up to the Latest Practicable Date. Since then, athleisure wear and performance sports wear have become a driver of our revenue growth. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from the sales of athleisure wear and performance sports wear in our mono-brand stores, was approximately HK\$0.4 million, HK\$41.8 million, HK\$169.3 million and HK\$152.1 million, respectively, representing approximately 0.0%, 3.9%, 12.6% and 17.1% of our total revenue, respectively. As at the Latest Practicable Date, we have 36 mono-brand stores selling mainly athleisure wear and performance sports wear.

To complement our merchandise selection, our Group started retailing a renowned artisan and luxury chocolate brand originated in France into the Macau market in 2015. Our Directors believe that the introduction of lifestyle products such as artisan chocolate has elevated our merchandise selection for customers who are in pursuit of a chic and stylish lifestyle into the next level. With the opening of *WF Fashion* in January 2019, our Group further enriched our lifestyle merchandise selection by introducing designer furniture, designer home accessories and ornaments, and home aromatic products.

(i) Fashion apparel

Fashion apparel mainly include coats, blazers, suits, shirts, knitwear, polos, sweats, trousers, denim, dresses, skirts, belts, scarves, hats and sunglasses. Fashion accessories sold by apparel brands are also included in this category. As at the Latest Practicable Date, we had fashion apparel under more than 90 brands for sale.

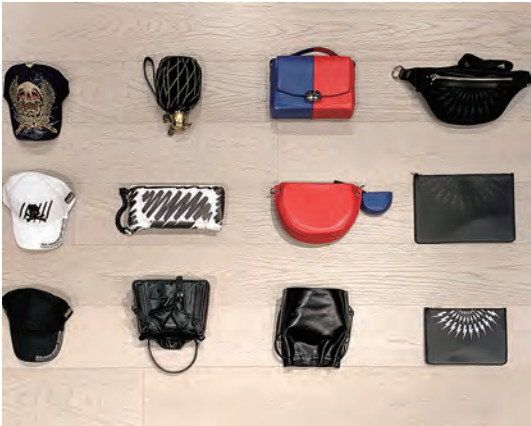
The following table sets forth some examples of our apparel products:

Product	Pictures
Coats, blazers, suits, shirts, knitwear, polos, sweats	
Trousers, denim, dresses, skirts	

Product

Pictures

Belts, scarves, hats and sunglasses



(ii) Footwear

Footwear mainly include luxury sneakers, sports shoes and formal letter shoes.

The following table sets forth some examples of our footwear products:

Product

Pictures

Sneakers, sports shoes, formal leather shoes, pumps and sandals

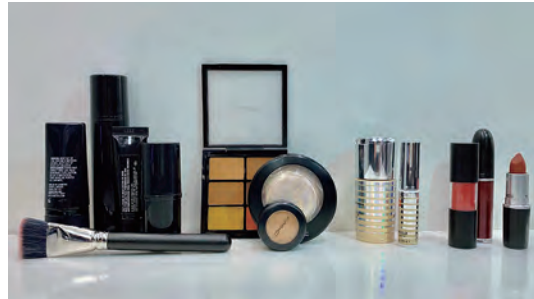


(iii) Cosmetic and skincare

Our cosmetic and skincare products are all international renowned brands such as *Bobbi Brown* and *M.A.C.* include foundation, concealer, powder, blush, eye shadow, eyeliner, mascara, lip colour, moisturizer, serum, lip care and fragrances.

The following table sets forth some examples of our cosmetic and skincare products:

Product	Pictures
Cosmetic foundation, concealer, powder, blush, eye shadow, eyeliner, mascara and lip colour	
Moisturizer, serum and lip care	



(iv) Lifestyle products

Lifestyle products mainly include designer furniture, designer home accessories and artistic ornaments, home aromatic products and artisan chocolate.

The following table sets forth some examples of our lifestyle products:

Product**Pictures**

Designer furniture, designer home accessories and artistic ornaments, and aromatic products

**SEASONALITY**

According to the F&S Report, the apparel retail market is heavily influenced by seasonality. Fashion apparel is seasonally driven. On the one hand, as a fashion apparel retailer, we carefully strategize the timing to merchandise new fashion apparel in our retail stores to take advantage of peak seasonal demand. We usually identify and select new fashion apparel and styles two to three seasons ahead of the time the merchandise arrives in our retail stores.

On the other hand, our sales performance is subject to seasonal fluctuations. We normally generate higher revenue during winter season than summer season as the unit price of winter apparel is generally higher than that of the summer apparel. We typically record higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays like the week commencing from 1st of May and 1st of October and Chinese New Year. Moreover, unusual and adverse weather conditions, such as extended period of unusual warm during the winter may affect our sales of winter apparels. We normally launch promotions during the non-peak season to boost our sales.

The seasonality will affect the inventory level as more inventories are required to meet the increased sales during holiday seasons. We make quick response to the changing in weather and manage our inventories in light of coming peak seasons at an affordable level. As such, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years are not necessarily meaningful and cannot be relied on as indicators of our performance.

PRICING STRATEGY

For the apparel and lifestyle products of international brands that we distribute, we are generally required to adhere to the recommended retail prices set by the relevant brand owners or their master/authorised licensors in the sale of merchandise. As such, we are only permitted to offer discounts in accordance with the terms of the distribution agreements we entered into with the brand owners. For the wholesale of *Neil Barrett* ready-to-wear products and accessories, we generally sell the products to our sub-distributors at a discount rate that is lower than the discount rate we obtain from the brand owner of *Neil Barrett*, and thus make profit from the difference in discount rate. We require our sub-distributors to retail *Neil Barrett* ready-to-wear products and accessories at the recommended retail price required by the brand owner to ensure a uniform price of the products across the whole Mainland China between our mono-brand stores and our sub-distributors' retail stores for *Neil Barrett* ready-to-wear products and accessories.

For our own brands *UM*, *UM•IXOX* and *IXOX*, we basically adopt a cost-plus pricing model but we will make reference to the prevailing price of apparel similar to our own brands, the relative market positioning, material used, and standard of quality.

For the managed stores where we provide store management services to brand owners, the pricing of the products will be determined by the brand owners. We are entitled to commission based on the amount of sales and the predetermined percentage as agreed by the brand owners and us.

RETURN POLICY

We generally accept product exchange or product return for cash within seven days of purchase in Mainland China. However, generally, no product return or exchange is allowed in Macau and Hong Kong except when the product is defective or, in some cases, the customer wishes to change the size of the product. The defective products returned to us will subsequently be returned to the brand owners, after identifying and verifying the defects.

During the Track Record Period, we did not make (and, to our best knowledge after making all reasonable enquires, our brand owners or their master licensors did not make) any product recalls in respect of the fashion apparel and other merchandise distributed or sold by us which would cause any material adverse impact on our business and operation.

During the Track Record Period, we had not been subject to any material product liability claim nor did we have any material return, exchange or recall of our merchandise. We have not experienced any material customer complaints with respect to the quality of our merchandise during the Track Record Period.

CUSTOMERS

Owing to the nature of our business, during the Track Record Period, our fashion apparel retail business accounted for over 94% of our revenue and our customers were mainly retail customers consisting of individuals from the general public in Mainland China, Macau, Hong Kong and Taiwan. None of our customers accounted for 5% or more of our total revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 and we did not rely on any single customer during the Track Record Period.

SUPPLIERS

During the Track Record Period, our suppliers primarily include brand owners or their master/authorised licensors. Our Directors confirm after making all reasonable enquiries, during the Track Record Period, we did not purchase any parallel imported goods to any part of Greater China from overseas dealers or parallel importers.

The purchase orders between our Group and our suppliers usually specify the name of the merchandise, quantities, price and manner of payment, credit terms, shipping terms and the estimated date of delivery.

Our top five suppliers

We have maintained long term business relationships with our major suppliers. As at the Latest Practicable Date, the business relationships between our Group and our top five suppliers during the Track Record Period range from three to 12 years. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate purchases from our Group's top five suppliers accounted for approximately 70.3%, 71.2%, 64.0% and 62.5% of our total purchases, respectively. For the same period, purchases from our largest supplier accounted for approximately 29.3%, 24.4% 19.3% and 19.4% of our total purchases, respectively.

All of our top five suppliers during the Track Record Period are Independent Third Parties. None of our Directors or any existing shareholder holding more than 5% of our issued share capital, or their respective close associates, had any interest in any of our five largest suppliers for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

We had not experienced any material shortage or delay of supply during the Track Record Period.

The credit terms granted to us by our suppliers are typically not more than 120 days. We pay our suppliers on a timely basis and maintain a good credit track record with them.

BUSINESS

Our Group regards suppliers that have a common controlling shareholder or within the same group of companies as a single supplier group. The following tables set forth certain information about our top five suppliers during the Track Record Period:

For FY2016

Supplier	Products procured from the supplier during the Track Record Period	Cost of purchase (HKD'000)	Approximate percentage to our total purchase (%)	Credit period	Settlement method	The calendar year in which the supplier first started to have business relationship with our Group
PVH Group (Note 1)	Products under the brands of Tommy Hilfiger, Calvin Klein Jeans, Calvin Klein Performance and Calvin Klein Underwear	122,943	29.3	60–90 days (Note 9)	Telegraphic transfer	2011
Club 21 Group (Note 2)	Products under the brands of CK CALVIN KLEIN and BLACKBARRETT	55,252	13.1	Nil (Note 8) and 30 days (Note 10)	Telegraphic transfer and letter of credit	2007
Tangli Group (Note 3)	Products under the brands of Ed Hardy and Ed Hardy X	44,599	10.6	Nil (Note 8)	Telegraphic transfer and letter of credit	2012
Supplier A (Note 4)	Products under an international brand with a relaxed style originated in the U.S.	41,001	9.8	120 days (Note 9)	Telegraphic transfer	2012
Moschino Group (Note 5)	Products under the brands of Moschino and Love Moschino	31,358	7.5	90 days	Letter of credit	2012
	Total:	<u>295,153</u>	<u>70.3</u>			

BUSINESS

For FY2017

Supplier	Products procured from the supplier during the Track Record Period	Cost of purchase (HKD'000)	Approximate percentage to our total purchase (%)	Credit period	Settlement method	The calendar year in which the supplier first started to have business relationship with our Group
PVH Group (Note 1)	Products under the brands of <i>Tommy Hilfiger</i> , <i>Calvin Klein Jeans</i> , <i>Calvin Klein Performance</i> and <i>Calvin Klein Underwear</i>	111,180	24.4	60–90 days (Note 9)	Telegraphic transfer	2011
Tangli Group (Note 3)	Products under the brands of <i>Ed Hardy</i> and <i>Ed Hardy X</i>	66,973	14.7	Nil (Note 8)	Telegraphic transfer and letter of credit	2012
Factory S.R.L. (Note 7)	Products under the brand of <i>Neil Barrett</i>	52,365	11.5	60 days	Letter of credit	2015
Club 21 Group (Note 2)	Products under the brands of <i>CK CALVIN KLEIN</i> and <i>BLACKBARRETT</i>	47,173	10.4	Nil (Note 8) and 30 days (Note 10)	Telegraphic transfer and letter of credit	2007
Under Armour Group (Note 6)	Products under the brand of <i>Under Armour</i>	46,873	10.2	Nil (Note 8), 45 days (Note 9) and 120 days (Note 10)	Telegraphic transfer	2016
Total:		<u>324,564</u>	<u>71.2</u>			

BUSINESS

For FY2018

Supplier	Products procured from the supplier during the Track Record Period	Cost of purchase (HKD'000)	Approximate percentage to our total purchase (%)	Credit period	Settlement method	The calendar year in which the supplier first started to have business relationship with our Group
PVH Group (Note 1)	Products under the brands of <i>Tommy Hilfiger</i> , <i>Calvin Klein Jeans</i> , <i>Calvin Klein Performance</i> and <i>Calvin Klein Underwear</i>	128,176	19.3	60–90 days (Note 9)	Telegraphic transfer	2011
Under Armour Group (Note 6)	Products under the brand of <i>Under Armour</i>	104,425	15.7	Nil (Note 8), 45 days (Note 9) and 120 days (Note 10)	Telegraphic transfer	2016
Tangli Group (Note 3)	Products under the brands of <i>Ed Hardy</i> and <i>Ed Hardy X</i>	93,545	14.1	Nil (Note 8)	Telegraphic transfer and letter of credit	2012
Factory S.R.L. (Note 7)	Products under the brand of <i>Neil Barrett</i>	55,410	8.4	60 days	Letter of credit	2015
Moschino Group (Note 5)	Products under the brands of <i>Moschino</i> and <i>Love Moschino</i>	43,210	6.5	90 days	Letter of credit	2012
	Total:	<u>424,766</u>	<u>64.0</u>			

BUSINESS

For the seven months ended 31 July 2019

Supplier	Products procured from the supplier	Cost of purchase (HKD'000)	Approximate percentage to our total purchase (%)	Credit period	Settlement method	The calendar year in which the supplier first started to have business relationship with the Group
Under Armour Group (Note 6)	Products under the brand of Under Armour	100,568	19.4	Nil (Note 8), 45 days (Note 9) and 120 days (Note 10)	Telegraphic transfer	2016
PVH Group (Note 1)	Products under the brands of Tommy Hilfiger, Calvin Klein Jeans, Calvin Klein Performance and Calvin Klein Underwear	80,134	15.4	60–90 days (Note 9)	Telegraphic transfer	2011
Tangli Group (Note 3)	Products under the brands of Ed Hardy and Ed Hardy X	79,094	15.2	Nil (Note 8)	Telegraphic transfer and letter of credit	2012
Factory S.R.L. (Note 7)	Products under the brand of Neil Barrett	37,140	7.2	60 days	Letter of credit	2015
Club 21 Group (Note 2)	Products under the brands of CK CALVIN KLEIN and BLACKBARRETT	27,693	5.3	Nil (Note 8) and 30 days (Note 10)	Telegraphic transfer and letter of credit	2007
	Total:	<u>324,629</u>	<u>62.5</u>			

Notes:

- PVH Group consists of Tommy Hilfiger Trading (Shanghai) Co., Ltd. 湯美費格商貿(上海)有限公司, PVH Commerce (Shanghai) Co., Ltd.* 鵬衛齊商業(上海)有限公司 and Meishang PVH Commercial Trading (Shanghai) Co., Ltd.* 美商鵬衛齊商貿(上海)有限公司, all of which are companies incorporated in the PRC and are engaged in the wholesale of clothing. As at the Latest Practicable Date, the registered capital of Tommy Hilfiger Trading (Shanghai) Co., Ltd. 湯美費格商貿(上海)有限公司, PVH Commerce (Shanghai) Co., Ltd.* 鵬衛齊商業(上海)有限公司 and Meishang PVH Commercial Trading (Shanghai) Co., Ltd.* 美商鵬衛齊商貿(上海)有限公司 is approximately USD1 million, USD0.8 million and USD0.6 million respectively. The ultimate holding company of PVH Group is listed on the New York Stock Exchange. The market capitalisation of the holding group is more than USD7 billion as at the Latest Practicable Date.

BUSINESS

2. Club 21 Group consists of CK21 International Limited, CK Retail 21 (Hong Kong) Limited and Club 21 International Distribution Limited. CK21 International Limited and Club 21 International Distribution Limited are offshore companies incorporated in Malaysia and they are engaged in administration services and offshore trading. CK Retail 21 (Hong Kong) Limited is a company incorporated in Hong Kong and as at the Latest Practicable Date, its amount of paid up share capital is HKD2 million and to the best knowledge of our Directors, it is engaged in the wholesale of clothing.
 3. Tangli Group consists of Tangli Commercial Trading (Shanghai) Co., Ltd 唐利商貿(上海)有限公司 and Tangli International Holdings Limited 唐利國際控股有限公司. Tangli Commercial Trading (Shanghai) Co., Ltd 唐利商貿(上海)有限公司 is a company incorporated in the PRC and as at the Latest Practicable Date, its registered capital is USD3 million and it is engaged in the wholesale of garments. Tangli International Holdings Limited 唐利國際控股有限公司 is a company incorporated in Hong Kong and as at the Latest Practicable Date, its amount of paid up share capital is HKD100 and to the best knowledge of our Directors, it is engaged in the wholesale of clothing. The ultimate holding company of Tangli Group is listed on the Shanghai Stock Exchange. The market capitalisation of the ultimate holding company is more than RMB6 billion as at the Latest Practicable Date.
 4. Supplier A is a group of companies incorporated in the PRC engaged in the business of, among others, manufacturing, distribution and retailer of garment, household products and other merchandises; and the ultimate holding company of which is listed on the Hong Kong Stock Exchange with a market capitalization of over HK\$2 billion as at the Latest Practicable Date.
 5. Moschino Group consist of Moschino S.p.A, Aeffe S.p.A. and Pollini S.p.A.. Moschino S.p.A is a company incorporated in Italy and as at the Latest Practicable Date, its paid up share capital is approximately Euro66.8 million and it is engaged in specialised design activities. Pollini S.p.A. is a company incorporated in Italy and as at the Latest Practicable Date, its total paid up share capital is approximately Euro6 million and it is engaged in the wholesale of clothing and footwear. Aeffe S.p.A. is listed on the Italy Stock Exchange and it is engaged in the manufacture of outerwear. The market capitalisation of the Aeffe S.p.A. is more than Euro200 million as at the Latest Practicable Date.
 6. Under Armour Group consists of Under Armour Trading (Shanghai) Co., Ltd 安德阿鎢貿易(上海)有限公司 and Under Armour Europe B.V.. Under Armour Trading (Shanghai) Co., Ltd 安德阿鎢貿易(上海)有限公司 is a company incorporated in the PRC and as at the Latest Practicable Date, its registered capital is USD79 million and it is engaged in the wholesale of garment. Under Armour Europe B.V. is a company incorporated in the Netherlands and as at the Latest Practicable Date, its paid up share capital is Euro18,000 and it is engaged in the wholesale of clothing and footwear. The ultimate holding company of Under Armour Group is listed on the New York Stock Exchange. The market capitalisation of the ultimate holding company is more than USD9 billion as at the Latest Practicable Date.
 7. Factory S.R.L. is a company incorporated in Italy and as at the Latest Practicable Date, its paid up share capital of Factory S.R.L. is Euro1 million and it is engaged in the manufacture of leather clothes and is 20% owned by Twelve S.A., our connected persons.
 8. We are required to pay the entire purchase price before delivery of the products.
 9. This credit period is only available to us when the value of the purchase made is less than a certain sum.
 10. For different brands purchased and/or different locations of where the transaction is made, the credit period granted to us is different.
- * *Some of the information above relating to the suppliers was obtained from an independent search agent which was engaged by our Group. To the best knowledge of our Directors after making reasonable enquiries, the information stated is the most recent data available to the independent search agent.*

Payment to suppliers

Our purchases from suppliers are generally settled by way of letter of credit and bank transfer. Our accounting department is responsible for processing all payments to suppliers.

During the Track Record Period, most of the purchases made from our suppliers were generally denominated and settled in Euro and RMB with the rest in Hong Kong dollar or U.S. dollar. On the other hand, our customers generally settled the selling price of our products in MOP, RMB or Hong Kong dollar. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, approximately 30.4%, 25.5%, 39.1% and 29.3% of our total purchases were settled in Euro, respectively, and approximately 22.7%, 31.9%, 44.6% and 24.9% of our total purchases were settled in RMB, respectively. The purchase denominated in RMB was for the sales generated from our retail stores in Mainland China and therefore, there were no material exchange risks involved in the sales in the Mainland China. As for our subsidiaries in Macau and Hong Kong, most of our purchases denominated in Euro was settled at the exchange rate prevailing at the time of settlement and recorded in the cost of sales. However, the recommended retail prices of individual products for sale to the end-customers were set by reference to a rate of Euro agreed by the brand owners and our Group, which is generally fixed for a three-month period. Such Euro exchange rate is then revised for every three-month period thereafter. As a result, we absorb the exchange fluctuation in the cost of sales within the three-month period in the cost of sales whenever the current rate for settlement of purchase differs from the fixed exchange rate for the recommended retail prices of our products. In negotiating the fixed exchange rate for calculating the recommended retail price of our products for every three-month period, we provide a safe margin of approximately one to two percentage for the exchange fluctuation. As such, given the period exposed to the fluctuation is relatively short, our foreign currency exposure risk is not material.

None of our Directors, chief executive or any of their respective associates or, so far as our Directors are aware, any Shareholder who owns 5% or more of our issued share capital had any interest in any of our top five suppliers during the Track Record Period.

Our major suppliers are (i) brand owners; (ii) master/authorised licensors; and (iii) authorised dealers or distributors of the branded products.

Distribution agreements entered into with suppliers

Our relationship with our suppliers, who are brand owners or their master/authorised licensors, is governed by the distribution agreements, or licence agreements (collectively, the “**distribution agreements**”) entered into between us and the suppliers. During the Track Record Period, our Group entered into distribution agreement with some international brands or their master/authorised licensors to distribute their products in Mainland China, Macau and/or Hong Kong markets. Most of the distribution agreements we entered with suppliers are non-exclusive. We also purchase apparel products and other lifestyle products from the brand owners or their master/authorised licensors by placing purchase orders with them without entering into any long-term distribution agreement.

BUSINESS

When negotiating with the suppliers on the terms of the distribution agreements, we take into account a number of factors, including:

- (i) profit margin, in particular, we would have a higher profit margin if the brand owner relies on us to expand its brand into the new market the Macau, Mainland China or Hong Kong;
- (ii) potential of the brand in apparel retail market; and
- (iii) whether the style and concept of the brand is complementary or dissimilar to other brands we currently carrying.

Salient terms of the distribution agreements with our suppliers

All distribution agreements that we have entered into with our top five suppliers in FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 are legally binding and are governed by PRC law, Macau law, Italy law, Hong Kong law or Singapore law.

The terms of the distribution agreements with different suppliers, who are brand owners or the master/authorised licensors of the brand owners, vary to a large extent. However, salient terms of a typical distribution agreement include the following:

Term	Our distribution agreement specified a term; some of such agreements with a term for renewal upon expiration either by mutual agreement or automatically.
Territory	Each distribution agreement specifies the territory of our distributorship in a particular region in Greater China, which differs in different distribution agreements. For our distributorship in Mainland China, it may cover a province or specific shopping mall(s) in which we can retail their branded products.

**Minimum purchase
commitment**

Under some of the distribution agreements, there are provisions regarding a minimum purchase amount for a specified period of time. In such case, if we are unable to meet such minimum purchase requirement or an agreement percentage of the minimum purchase target, we may have to make up for the shortfall or otherwise, the suppliers are entitled to terminate the distribution agreement with us. As confirmed by our Directors, this minimum purchase requirement is generally determined by the supplier and our Group based on the preliminary estimation of the forthcoming sales at the time of signing the distribution agreement, which in practice is subject to external factors such as the popularity of the brand, the customers' reception of the branded products, market demand and economic condition. In this connection, we would communicate with our suppliers if we foresee there will be any shortfall between our actual purchase and the minimum purchase amount or any fluctuations and the reasons thereof. In such circumstances, the brand owner and our Group will negotiate on the realistic size of our purchases before placing orders, leading to a final purchase amount agreed by the supplier which fell short from the minimum purchase requirement. During the Track Record Period, our Group had not been required to make any compensation and the suppliers had not terminated the distribution agreement with us under this term.

Hence, though during the Track Record Period, there were instances which our Group had failed to meet the minimum purchase requirement specified in individual distribution agreements of certain major brands, for instance, with respect to our top five brands in terms of retail revenue, (i) the shortfall ranged from approximately 2.2% to 28%, 35.2% and 2.2% to 24.2% of the minimum purchase requirement on an annual basis for each of FY2016, FY2017 and FY2018; and (ii) there were in total three, one and two instances of such shortfall during FY2016, FY2017 and FY2018, the suppliers did not require us to make up for the shortfall at all. As confirmed by our Directors, most of such failures were attributable to factors beyond our control, including (i) the failure of our supplier to supply the requested amount of merchandise, although we had already placed orders which fulfilled the minimum purchase amount requirements; (ii) late openings of new retail stores which are different from the original plan; and (iii) changes in market reception of brands whereby we had negotiated with brand owner to adjust our strategy regarding the brand.

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Number of points of sales or retail stores	In the distribution agreements with our major brands, we may be required to open a specified number of points of sales or retail stores each year during the term of the distribution agreements.
Payment terms	We usually pay the purchase price of the branded products by letters of credit or bank transfer. Most of our suppliers require us to pay the purchase price before delivery of their products to us. Some suppliers grant us a credit period of up to 120 days from the date of invoice. Settlement currencies are usually Euros, MOP, RMB, Hong Kong dollars or U.S. dollars.
Bank guarantee	Under a few distribution agreements, we are required to provide the suppliers of a bank guarantee to guarantee our payment of the products on time. Failing which, the bank guarantee will be used to offset the default payment. As confirmed by our Directors, we had not defaulted any payment of the purchase price which led to the forfeiture of the bank guarantee we provided in favour of the suppliers during the Track Record Period.
Sales target	Under some distribution agreements, we are required to reach a specified sales target of the suppliers' merchandise for a specified period of time. Failing which, the suppliers is entitled to terminate the distribution agreement with us.
Sales target incentive or rebate	Under some distribution agreements, we are offered, at the discretion of the suppliers, sales rebates, at varying rate, generally ranging from 1% to 8% of the retail price of the minimum purchase or the annual purchase amounts, which are paid in the form of offsetting the purchase price of a subsequent purchase. During the Track Record Period, our Group has earned sales rebate amounting to approximately HK\$4.7 million, HK\$8.9 million, HK\$11.1 million and HK\$3.3 million, respectively.
Retail price	In most of the distribution agreements, we have to retail the merchandise based on the retail price set or recommended by the suppliers. If we wish to adjust the pre-set or recommended retail price or offer an discount to the retail price, we have to seek their prior consent.
Insurance	In some distribution agreements, the suppliers would require us to have sufficient insurance coverage for discharge of our obligations under the agreements.

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Non-competition	In a few distribution agreements, we have to seek consent from the relevant suppliers if we plan to retail any products which compete with those which we are authorised to retail under the distribution agreements. As there are large categories of apparel products, some may be similar in terms of nature. As a matter of practice to ensure compliance with existing distribution agreements, we would consult the suppliers before we enter into the distribution agreements with them or at the early stage of the agreement and seek their consent on the brand we are retailing. In some instances, we have specified the brands we are retailing which may be in competition with the suppliers in the distribution agreements. During the Track Record Period, we did not receive any complaints from any of our suppliers about our breach of non-competition clause of the distribution agreements.
Promotion and advertising	Under most of the distribution agreements, we are required to contribute a specified percentage of our net sales or purchase amount of the branded products to the suppliers for advertising and promotion of the branded products, co-operative advertising fee and/or fee for visual merchandising activities. The percentage generally ranges from 2% to 10% of the purchase, minimum purchase amount or estimated sales, as the case may be. Under some distribution agreements, the promotional activities and marketing campaigns are to be organised by us after consultation with the brand owners. If a supplier runs its own promotional activities or marketing campaigns, we have to render all necessary assistance to it.
Delivery and shipping cost	Under most of the distribution agreements, we are responsible for the delivery and shipping costs of the branded products to our distribution centres or to our retail stores directly. The risk of the products will be passed to us upon delivery of the products to us.
Return and exchange policy	If there are any manufacturing defects on the products, we can exchange such products or get a refund within a specified period of time from the date of delivery.
Termination	In most distribution agreements, either party has the right to terminate the agreement on the occurrence of certain event (including our breach of any material terms of the agreements or in the event of winding-up etc).

Intellectual property rights	The majority of the distribution agreements explicitly state that the intellectual property of the products and the trade mark thereof belong to the brand owners. We are generally given a licence to use the trade mark in the manner set out in the distribution agreements, for instance, in connection with the sales, promotion, marketing, advertising and distribution of the products. Our Directors confirm that during the Track Record Period, none of the distribution agreements were terminated due to our infringement of the intellectual property rights of the brand owners. Neither had we received any complaint from the brand owners or the master licensors of the brand owners regarding our use of their trademarks.
Suppliers' guidelines	As some of our suppliers are multi-national conglomerates, they require the distributors of their products to follow their guidelines in terms of the working hours of the store staff, working environment and prohibition of employment of child staff.

Cooperation with Neil Barrett

On 15 April 2015, our Group entered into a cooperation agreement with the brand owner of *Neil Barrett*, White S.R.L., and its shareholder, Twelve S.A., to form a company in Hong Kong (the “**NB China**”) for the promotion, marketing and distribution of the ready-to-wear products and accessories of *Neil Barrett* in Mainland China and Macau markets. To the best knowledge and belief of our Directors after having made all reasonable enquiries, the shares of Twelve S.A. are indirectly held by a trust established in Cyprus, the beneficiaries of which are Independent Third Parties. The cooperation agreement was further supplemented on 3 October 2016 and 10 September 2018. The cooperation agreement together with its supplemental agreements are together referred to as the “**NB Cooperation Agreement**”.

Our formation of NB China with *Neil Barrett*'s brand owner was our Group's first and strategically important cooperation project with an international brand owner. In order to persuade the brand owner of *Neil Barrett*, a renowned international brand, and its ultimate shareholder to set up NB China with us to further develop and consolidate the *Neil Barrett* brand in Mainland China, at the time of entering into the NB Cooperation Agreement, we decided to offer more attractive terms to the brand owner and its ultimate shareholder. By doing so, we can build up a long term cooperation arrangement with them and result in a win-win situation. To this end, we incentivized them to promote the brand by offering two call options in the NB Cooperation Agreement. Furthermore, as the first call option concerns 9% of the issued shares of NB China, in the event that the brand owner of *Neil Barrett* exercises the first call option, our shareholding in NB China will decrease from 60% to 51%. Yet, we will still remain the majority shareholder and there will not be any change of control over NB China. As for the second call option, the percentage of the issued shares of NB China to be purchased from us is subject to further negotiations between us and the brand owner, and was yet to be determined as at the

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Latest Practicable Date. In light of the above, our Directors are of the view that the granting of call options by our Group to the brand owner of *Neil Barrett* is fair, reasonable and in the best interest of our Group. Our Director take the view that the cooperation arrangement with *Neil Barrett*'s brand owner has been, and will continue to be, on normal commercial terms based on arm's length negotiations.

Details of the two call options granted to the brand owner of *Neil Barrett* to purchase from us the issued shares of NB China in December 2023 and 2025 respectively are as follows:

			First call option	Second call option
Brand owner's call options	Percentage of underlying shares	:	9% of the issued shares of NB China	The percentage of the issued shares of NB China (the " Percentage ") is subject to further negotiations between the parties.
	Exercise Price	:	The exercise price shall be equal to 9% of 2x (multiple) of NB China's EBITDA (which represents 100% of the enterprise value) as at 31 December of the year preceding that of exercise of the first call option	The exercise price shall be equal to the Percentage of 3.5x (multiple) of NB China's EBITDA (which represents 100% of the enterprise value) as at 31 December of the year preceding that of exercise of the second call option
	Exercise Period	:	The month of December 2023	The month of December 2025

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Apart from the granting of two call options to the brand owner of *Neil Barrett*, other salient terms of the NB Cooperation Agreement are set forth as below:

Objective of the NB China	To maintain, expand and promote the <i>Neil Barrett</i> ready-to-wear products and accessories (with the exception of underwear, perfumes, glasses, sunglasses, children clothing, skiwear, watches, beachwear, jewels and homewear) (collectively, the “ NB Products ”) in Mainland China and to start the business in Macau.
Shareholding structure	NB China shall be owned as to 65% by our Group and 35% by the brand owner initially and from 1 January 2016, the shareholding had been changed to 60% and 40%, respectively.
Exclusivity	NB China is appointed as the exclusive importer and distributor of the NB Products in Mainland China and Macau.
Brand owner’s obligations	The brand owner shall give the NB China a discount at the pre-set percentage on the wholesale price for the NB Products; provide the concept design to the new stores.
Our obligations	Our Group shall be responsible for the cost of the new stores’ interior décor.
Minimum Guaranteed Purchase Order	The NB Cooperation Agreement has provision related to the aggregate minimum guaranteed purchase order and the minimum guaranteed purchase order to be achieved in by each retail store set out in the schedule thereto.
Promotion activity	NB China shall invest 5% of the gross Minimum Guaranteed Purchase Order in PR and promotion activities.
Staff of the NB China	NB China shall hire all necessary staff including chief executive officer, managers, financial team, administration team, sales force team, buyer, visual team of its own and a public relation agent at its cost.
Store opening plan	The NB Cooperation Agreement set out the number and particulars of the retail stores to be opened in Mainland China and Macau.

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Management of the NB China	The board of directors of the NB China shall compose of three directors, one being appointed by the brand owner and two by our Group. Save for certain protection rights related resolutions set out in the NB Cooperation Agreement which requires the favourable vote from the brand owner, all resolutions shall be passed by the majority of the board. The key management of the NB China also include a public relation external director and sales merchandising director to be hired by NB China.
Restrictions and non-competition	NB China shall be prevented from entering into any sub-distribution agreement related to NB Products and entering into any distribution agreement with other entities operating into the fashion sector related to the NB Products. In this connection, the brand owner has expressly acknowledged and given its consent to NB China regarding NB China's sub-contracting arrangement with the sub-contractors in opening and operating <i>Neil Barrett</i> retail stores in Mainland China. Our Group shall not engage in any activity which may cause us to be considered as a competitor of NB China in Mainland China. In this connection, the brand owner has expressly acknowledged that it is aware of our Group's engagement in the sale and distribution of apparel products and other merchandise of other brands before and after entering into the NB Cooperation Agreement and has given its express consent to our Group in this respect.
Transfer of shares	The transfer of NB China's shares is subject to the restrictions such as lock-up and a right of first refusal etc. as set out in the NB Cooperation Agreement.
Events of default	The NB Cooperation Agreement sets out the events and any occurrence of which will constitute event of default whereby the non-defaulting party is entitled to acquire all the shares owned by the defaulting party at a price agreed by the parties or sell all its shares to the defaulting party at the fair value of the shares.
Termination	The NB Cooperation Agreement shall commence from 15 April 2015 to the fall winter 2025.

Pursuant to the NB Cooperation Agreement, our Group established the first *Neil Barrett* mono-brand store in Macau in May 2015. As at the Latest Practicable Date, there were 28 mono-brand stores carrying *Neil Barrett* in Macau, Mainland China and Taiwan, of which 19 mono-brand stores are operated by us and nine mono-brand stores, which are all in Mainland

China, are operated by our sub-distributors. For details about the sub-distribution arrangement, please refer to the paragraphs headed “Our sales channels – III. Our wholesale services” in this section. The sales of *Neil Barrett* ready-to-wear products had experienced considerable growth since the establishment of its first mono-brand store in 2015. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the revenue derived from the mono-brand store sales of *Neil Barrett* products in our mono-brand stores amounted to approximately HK\$60.4 million, HK\$102.9 million, HK\$119.3 million and HK\$68.9 million, respectively, representing approximately 6.4%, 9.7%, 8.9% and 7.7% of our total revenue, respectively. The revenue derived from wholesaling of *Neil Barrett* products amounted to approximately HK\$13.3 million, HK\$25.9 million, HK\$37.0 million and HK\$11.0 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. Meanwhile, for the same years/period, the (loss)/profit of NB China attributable to our Group amounted to approximately (HK\$3.2 million), (HK\$0.9 million), HK\$7.0 million and HK\$1.5 million, respectively.

ENTITIES WHO ARE BOTH OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, two of our customers and/or their related companies in the same group, namely PVH Group and Club 21 Group were also our suppliers.

PVH Group

PVH Group’s holding company is the brand owner of, among other brands, *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories* and *Tommy Hilfiger* and is listed on the New York Stock Exchange.

PVH Group engaged our Group to provide store management services for *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories* and *Tommy Hilfiger* retail stores in Macau. For details of the store management services we provided to PVH Group, please refer to the paragraphs headed “Provision of Store Management Services and Consignment Services” in this section.

At the same time, our Group entered into distribution agreements with PVH Group to sell and distribute their *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories* and *Tommy Hilfiger* branded products in Mainland China. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, commission and service fee we received from PVH Group for our store management services rendered to it in Macau accounted for approximately 3.4%, 3.0%, 2.1% and 2.2% respectively of our total revenue. During the same period, our purchases from PVH Group and/or its related companies in the same group accounted for approximately 29.3%, 24.4%, 19.3% and 15.4% respectively, of our total purchase.

Our Directors believe that the reason for PVH Group to be both our customer and supplier is that PVH Group adopts different business model in different regions in Greater China. In Macau, where they engaged our Group to provide store management services to certain of its

mono-brand retail stores, thereby generating revenue to our Group in the form of commission and it is our customer. In Mainland China, it distributes its fashion apparel through distributors like our Group and we would therefore make purchase from it as its direct customer and it is our supplier.

Club 21

Club 21 Group is the master licensor or authorised licensor of, among other brands, *CK CALVIN KLEIN* and *BLACKBARRETT*.

Club 21 Group engaged our Group to provide consignment services in the retail stores of *CK CALVIN KLEIN* branded products for the products supplied by Club 21 Group in Mainland China. In these retail stores, we also sell the branded products as retailer. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, our revenue generated from Club 21 Group in relation to consignment service accounted for approximately nil, nil, nil and 3.2% of our total revenue. We sell *CK CALVIN KLEIN* products in our retail stores in Macau and *BLACKBARRETT* products in Macau and Mainland China. During the Track Record Period, our purchase from Club 21 Group and/or their related companies in the same group accounted for approximately 13.1%, 10.4%, 6.1% and 5.3%, respectively, of our total purchase.

We started selling *CK CALVIN KLEIN* branded products in Mainland China for Club 21 Group on both consignment basis and retail basis since 2019 as an interim arrangement we agreed with Club 21 Group before it has fully taken over the retail of the *CK CALVIN KLEIN* branded products in Mainland China from its previous distributor. In this connection, we had operated 19 retail stores on temporary basis whereby we would sell part of the products on retail and some other products on consignment for Club 21 Group. Our Directors confirm that such arrangement is temporary in nature for the purpose of maintaining good relationship with the master licensor. Subsequent to the Track Record Period and as at the Latest Practicable Date, all of these temporary retail stores were returned to Club 21 Group and the consignment arrangement had been ceased. Our Group has no plan to re-launch or develop consignment business in the future.

MARKETING AND PROMOTIONAL ACTIVITIES

We have a dedicated marketing team had nine staff members consisting of marketing managers, graphic designers, and sales representatives as at the Latest Practicable Date. Our marketing team, is responsible for seeking potential brands, maintaining our long-standing relationship between us and our existing brand owners or their master licensors, formulating and coordinating our marketing activities. For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, our advertising and promotion expenses inclusive of our contribution for advertising and promotion, co-operative advertising fee and/or fee for visual merchandising activities paid to our suppliers pursuant to the distribution agreements, as well as the promotion and marketing activities carried out by us, amounted to approximately HK\$8.9 million, HK\$9.3 million, HK\$12.0 million and HK\$10.0 million, respectively, representing approximately 0.9%, 0.9%, 0.9% and 1.1% of our revenue for the corresponding years/period.

Brand marketing and promotion

In relation to the marketing activities for a particular brand, we usually consult the relevant brand owner in advance or obtain its approval on our marketing plans, materials and artworks. In some circumstances, we cooperate with the brand owners in respect of the promotion and marketing of their products as most of our brand owners have their own marketing teams. Under some distribution agreements, we have to support the brand owners' marketing activities in the form of pecuniary contribution which is calculated as a percentage of the higher of our actual purchase amount or the minimum annual purchase amount.

Pursuant to the distribution agreements between our Group and our suppliers, we may also be required to contribute a specified percentage of our net sales or purchase amount to our suppliers in advertising and promotion of their branded products, cooperative advertising fees and/or visual merchandising activities.

For the promotion of *Neil Barrett* brand in Mainland China and Macau, we had engaged a public relation company designated by the brand owner to design and implement marketing campaigns.

Leveraging our multi-brand stores

We believe that our multi-brand and multi-store business model is instrumental to our success. Our multi-brand stores *UM*, *UM Junior*, *UM Club*, and *WF Fashion* have an image of offering high-end fashion and lifestyle products. They are designed and decorated to provide a high-end and unique shopping experience for our target customers, who are affluent and looking for fashionable and chic lifestyle products. In 2012, we had received the Golden A Design Award in Interior space and Exhibition Design Category for our *UM* multi-brand store and, in 2016, we had again received the Golden A Design Award in Interior Space and Exhibition Design Category for our *UM Junior* multi-brand store. At the same time, we use our multi-brand stores to promote our own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

Promotional activities in the shopping malls

We organise promotional events for festivals, holiday seasons and seasonal sales at our retail stores. We usually conduct marketing events in cooperation with the major shopping malls during festival seasons or when we plan to promote some new brands or new products.

We are honoured to have the chance to run a ten-week collaboration event with Bearbrick, in the shopping mall of a hotel and casino complex in Cotai, Macau starting from 5 July 2019 to 15 September 2019 involving specifically designed collaborative merchandise between Bearbrick and eight of the brands distributed by our Group such as *Neil Barrett*, *Marni*, *Sergio Rossi*, *Roberto Cavalli* and *LA MAISON DU CHOCOLAT*, art exhibition with décor to be placed in various places within the shopping mall, and a pop-up stall of our multi-brand store *WF Fashion* at a conspicuous place of the shopping mall.



Membership programme

To promote customer loyalty and encourage repeat purchases, most of the international fashion and lifestyle products brands we distributed or to which we provided store management services during the Track Record Period have loyalty programmes for their repeat customers. Our Group administers individual loyalty programmes for these brands in the Greater China in accordance with the policy of the individual brands. On the other hand, we have started developing our own customer membership programmes for customers of our multi-brand stores. These customer membership programmes provide regular and birthday discount to our normal retail price to members and may require the customers to reach a minimum annual spending to be qualified for membership renewal. Through these customer membership programmes, information and/or catalogues on merchandise or events to our members, who have previously provided their consent to receive direct marketing messages through WeChat messages. We also invite our members to pre-sale events for early purchase of new products. As at the Latest Practicable Date, we had more than 450,000 registered members.

We plan to further develop our membership programme through which we can collect more information on our customers' preference on brands and products, spending behaviour such as payment method, amount of purchase and seasonal factors. By collecting and analyzing this data, we can formulate a more effective marketing plan to cater for the needs of our customers.

Personal data protection

Apart from basic personal information such as names, email addresses, telephone numbers, dates of birth and residing cities provided by some of our customers when they apply for registration as members under our membership programme, we are not provided with further

information from them. Meanwhile, we do not collect personal information of customers who have not been registered as our members.

We understand the importance of safeguarding our customers' personal data and information through appropriate security measures. We have devised and implemented internal policies, procedures and guidelines for our staff to follow. These personal data protection guidelines specify the respective role and access to such personal data of staff at different levels and their responsibilities in protecting customer data. Our major guidelines in managing the access and use of such data by our employees are as follows:

- We complement our information security management system with our document retention and corporate security policies. In particular, we do not keep any credit card information of our members and customers on our system;
- Personal data provided by customers can only be used for the designated purposes with the written consent from our customers; and
- Only authorised managerial staff and authorised IT system maintenance staff members can gain access to such personal data on a need-to-know basis to ensure that the data access is appropriate.

Direct marketing information can only be sent to our customers by the way of communication that has been explicitly agreed by customers. To implement the aforesaid internal guidelines, we disseminate the guidelines to our staff from time to time. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, our Group had not received any complaint of unauthorised access or misuse of personal data.

After seeking opinion from our PRC Legal Advisors, and our legal advisors in Taiwan, Macau and Hong Kong, our Directors believe we have applied adequate measures for safeguarding our members' personal data and complied with the applicable laws and regulations.

LOGISTICS AND WAREHOUSING MANAGEMENT

As at the Latest Practicable Date, our Group leased and operated 215 self-operated retail stores in Greater China. Efficient delivery of merchandise to our retail stores is therefore a key to our success.

We are generally responsible for the delivery of the merchandise we ordered from our suppliers in Italy, Hong Kong, Shenzhen and Shanghai. We engage Independent Third Party logistic services providers to arrange for the delivery of merchandise received from our suppliers to our retail stores through the following routes: (i) the merchandise will be delivered to the warehousing facilities of our logistic services providers for temporary storage before they are sent to our retail stores; (ii) the merchandise will be delivered to our warehouses in Macau, Shenzhen, Shanghai and Hong Kong for temporary storage before they are sent to our retail stores, or (iii) the merchandise will be delivered to our retail stores directly. We also engage the

Independent Third Party logistic services providers to arrange cargo clearance and customs declaration on our behalf.

INVENTORY MANAGEMENT

We have kept on improving our inventory management system with a view to ensuring that the amount of inventory of seasonal apparel carried over from any one season to the next is minimal. Our shop manager at each retail store is responsible for the in-store inventory and stock taking and monitoring of stock movement every month and uploading such information on our POS system, which can be viewed centrally at our regional office and headquarters. The shop manager is also required to report to the regional office to which the retail store shall report about the level of inventory and sales progress on a regular basis. Hence, inventory level at each retail store can be maintained at the appropriate level by our experienced shop managers.

During the Track Record Period, all our inventories were branded products. While the optimal inventory level varies from one brand to another and taking into account the fact that the time required by different brand owners for delivery the products to us, we need to maintain sufficient amount of inventories to satisfy the demands of our retail stores. As at 31 December 2016, 2017 and 2018 and 31 July 2019, the balance from inventories amounted to approximately HK\$257.0 million, HK\$265.3 million, HK\$341.8 million and HK\$426.6 million, respectively, representing approximately 50.9%, 48.7%, 51.3% and 55.4%, respectively of our total current assets as at those dates. The average number of inventory turnover days of our Group for each of FY2016, FY2017, FY2018 and the three months ended 31 July 2019 was about 199 days, 200 days, 180 days and 193 days, respectively.

We monitor our inventory level on a regular basis. Based on our sales experience and track record or the minimum purchase requirements under our distribution agreements with brand owners or their master/authorised licensors, we prepare a sales forecast two to three seasons ahead. Our merchandising team will place orders based on the sales forecast. At the end of the season, we have to sell at discount any remaining inventory in order to minimise the amount of inventory carried over from one season to the next.

In relation to our daily operation, we have been using a computerised POS system at all of our retail stores to capture the inventory data including sales revenue, customer data and method of payments. The POS system is linked to our headquarters or our regional offices to facilitate timely and accurate data management. This allows us to collect information regarding consumer purchases, monitor consumer performance and make timely assessments regarding our apparels and lifestyle merchandise. Our IT team closely monitors and analyses the relevant data, which enables us to restock our retail stores timely and respond to any change in market trends and customers' preferences promptly. Our IT team assists our senior management to select certain key performance indicators (KPI) such as sales revenue of individual retail store, average customer spending, the type of merchandise sold, effectiveness of promotional or sales activities and analyses the data on a regular basis. As such, we are able to make swift management decisions to respond to any under-performed retail stores.

We have also developed and implemented our own inventory replenishment system at our retail stores. The system analyses the current inventory level of our merchandise and alert the retail stores if it foresees that the inventory will run out of stock. This allows our retail store to keep a low but sufficient inventory level of the merchandise. We have implemented security system to protect and prevent our inventory from theft, embezzlement and damages.

QUALITY CONTROL

The quality of our fashion apparel and other lifestyle merchandise offered for sale in our retail stores is vital to maintaining our reputation and competitiveness. While our suppliers who are mainly brand owners or their master/authorised licensors will ensure the quality of their apparel or lifestyle products before they are shipped to us, our sales team will conduct visual inspection of the apparel and the lifestyle products when they arrived at our warehouse or retail shops.

As concern the quality control of our own *UM*, *UM•IXOX* and *IXOX* branded apparel, our design team closely monitors the whole apparel production process starting from raw materials selection, physical inspections and OEM manufacturers selection and inspection of both semi-finished products and finished products.

Owing to our strict quality control policies, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material quality issues, receive any significant product return request from our customers or receive any material complaints from our customers.

During the Track Record Period, on two occasions, we were fined or penalized by regulatory bodies in the PRC due to the defective quality and the representation on the composition of the branded products, we were able to claim compensation from our suppliers on a back-to-back basis.

INFORMATION TECHNOLOGY SYSTEMS

Each regional office of our Group currently has its own information technology systems to manage the retail stores in its regions in terms of inventory planning and management, purchases, sales, promotion, customer analysis, financial reporting and connection of POS system in the retail stores of its region. The system can help generate accurate and timely financial data, which is helpful for us in budgeting our operating costs and planning our inventory management. It also adds accounting agility and flexibility to our business while simultaneously allowing us to meet the local financial and legal compliance requirements of individual markets. This software is implemented as a single global instance to ensure data integrity and consistency of information across all entities in the organization. The system also enables us to obtain various data and statistics regarding our customers, which would be useful for us to analyse customer preference of the region from time to time.

To align with our business growth and expansion, we plan to set up and implement a centralised retail management system including both software and hardware connecting our headquarters and each of our regional office and retail stores in terms of retail and financial reporting, inventory distribution and control, business performance reporting and distribution functions to integrate purchasing, logistics and accounting functions etc. For details, please refer to the paragraph headed “Our Business Strategies – IV. Continue to set-up and implement the Centralised Report Management System to improve our operational efficiency” in this section. We plan to complete the implementation of the centralised retail management system in all our retail stores by the end of 2021. The system collects data on the inventory level and transaction pattern of our merchandise on a daily basis, providing information that we can use to facilitate responsive retail network operations. Our IT team in the headquarters can help monitor and analyses the sales and inventory level of our merchandise in all retail stores in the Greater China through the centralised retail management system on a daily basis.

In relation to the security of our information technology system, we maintain its security which covers cyber security, data security and terminal security through various technologies including encryption, anti-virus software and firewall. We continuously upgrade such technologies to enhance our information security management and implement strict measures to protect and secure confidentiality of customer/membership data. For instance, we restrict access to customer/membership data to selected authorised staff who are provided with the relevant password and key data is only stored and transmitted within our intranet to avoid exposure to public internet. During the Track Record Period, we engaged external Independent Third Party information technology services provider to provide technical support to our information technology system.

COMPETITION

According to the F&S Report, Greater China and the U.S. are the two largest apparel retail markets in the world. In 2018, Greater China ranked the first with a market share of 20.4%, followed by the U.S. with a market share of 20.0%, in terms of retail sales value. The sales value of apparel retail market in Mainland China, Taiwan, Hong Kong and Macau raised from HKD2,169.2 billion, HKD95.8 billion, HKD78.5 billion and HKD11.3 billion respectively in 2013 to HKD3,302.8 billion, HKD110.0 billion, HKD74.3 billion, HKD17.8 billion respectively in 2018, representing the CAGR of 8.8%, 2.8%, -1.1% and 9.5% respectively from 2013 to 2018. Although Hong Kong’s market is affected by the unexpected socio-political turbulence which started in June 2019, the impact is regarded to be incidental and should not last long as Hong Kong’s government is making every effort to stabilise local economy. Apparel retail market in Hong Kong is expected to recover as the turmoil is expected to come to stoppage soon. By 2023, it is expected, driven by the recovery of tourism industry in Hong Kong and Macau, that the sales value of apparel retail market in Mainland China, Taiwan, Hong Kong and Macau will increase at the CAGR of 7.9%, 2.8%, 7.8% and 14.0%, respectively.

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The apparel retail market in Macau is fragmented and diversified. The top five apparel distributors in terms of retail sales values only occupied 11.5% of the total market. Our Group ranked as the largest apparel distributors in Macau with HKD774.3 million in 2018 and 4.3% market share.

The apparel retail market in Mainland China is extremely fragmented, and currently there are over 2,000 apparel distributors in Mainland China. In 2018, the top five players only occupied 2.9% of the total market in terms of retail sales values, and the Group took a market share of around 0.02%. Additionally, the apparel distribution market in Hong Kong is also fragmented. There are around ten thousand apparel retailers or wholesalers and most of them are small-scale distributors.

According to the F&S Report, the entry barriers of Greater China high-end apparel retail market include (i) establishing a comprehensive and widespread sales distribution or retail network; (ii) accumulating retail sales experience with the selected market and customers; and (iii) the high requirement on the supply chain management capability of apparel distributors which is heavily influenced by seasonality.

EMPLOYEES

The following table sets forth the number of our employees in Mainland China, Macau, Hong Kong and Taiwan as at 31 December 2016, 31 December 2017, 31 December 2018, 31 July 2019 and the Latest Practicable Date:

No. of employees	As at			31 July 2019	Latest Practicable Date
	31 December 2016	31 December 2017	31 December 2018		
Mainland China	751	732	876	885	874
Macau	363	384	484	566	627
Hong Kong	14	27	48	56	51
Taiwan	—	—	—	12	12
Total	<u>1,128</u>	<u>1,143</u>	<u>1,408</u>	<u>1,519</u>	<u>1,564</u>

We strive to promote the sense of responsibility, cooperation and teamwork among our employees. We are committed to retaining our employees at all levels, improving their efficiency and reducing employee turnover rate.

The salary level of employees in the retail industry in Greater China has been steadily increasing in recent years due to changes in local labour market trends. We offer competitive wages and other benefits to our retail staff, and make salary adjustments in response to the local labour market conditions.

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Our staff costs which include all salaries and benefits payable to all staff, including our executive Directors, were approximately HK\$134.6 million, HK\$148.0 million, HK\$201.1 million and HK\$148.3 million, representing approximately 14.2%, 13.9%, 15.0% and 16.6% of our total revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. We expect our staff costs to continue to increase as inflationary pressures in Greater China drive up salaries.

The following table sets forth the aggregate number of employees categorised by function of each category of our total employees as of the Latest Practicable Date:

Function	Number of employees as at the Latest Practicable Date				Total
	Mainland China	Macau	Hong Kong	Taiwan	
Executive Directors	1	1	3	–	5
Retail stores	736	581	38	12	1,367
Marketing	4	4	1	–	9
Sales	56	22	2	–	80
Finance and legal	42	5	3	–	50
Human resources	17	6	3	–	26
Information technology	8	4	1	–	13
Visual merchandising	4	1	–	–	5
Design	4	–	–	–	4
Engineering	1	1	–	–	2
Warehouse and logistics	1	2	–	–	3
Total number of employees	876	627	51	12	1,564

Remuneration and incentive

We enter into employment contract with each of our employees, specifying the terms including, among other things, salaries, benefits, confidentiality obligations relating to trade secrets, non-competition terms and grounds for termination. The remuneration package of our employees mainly includes salaries, discretionary bonuses, commission (for retail staff only) and paid leave. Our employees also receive benefits under our group medical and dental insurance. For Hong Kong employees, Macau employees and Taiwan Employees, we provided contributions to the mandatory provident fund, social security system and pension fund, respectively. For our employees in Mainland China, as required by the applicable PRC laws and regulations, we have made contributions to the social insurance (including pension plans, medical insurance,

work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund for our employees in the PRC during the Track Record Period.

Recruitment

We recruit employees based on our expansion need and position vacancies (i) in open job markets through online platforms, mass media and notices at our retail stores; (ii) through internal promotions; and (iii) referral by our employees.

Training

We periodically provide internal training to our staff from time to time and across operational functions, including induction training for new employees, professional and management training, team-building, sales skills and communications training to ensure that they are equipped with the most up-to-date and useful skills and knowledge in the apparel retail industry.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Owing to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety measures in the staff manual for our staff to follow. Our Group follows the health and safety-related rules and regulations pursuant to relevant laws and regulations in Mainland China, Macau, Hong Kong and Taiwan, respectively and devise a series of requirements for workplace environmental control and hygiene at workplaces accordingly.

Our human resources department is responsible for the daily implementation of our work safety measures and compliance record keeping. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations were not material during the Track Record Period and as at the Latest Practicable Date and the cost of such compliance is not expected to be material going forward.

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During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers' safety. Furthermore, we have not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable laws and regulations of Greater China in all material aspects during the Track Record Period and as at the Latest Practicable Date.

INSURANCE POLICIES

During the Track Record Period, our Group maintained all necessary insurance coverage in connection with our operations to safeguard against our major risks and unexpected events in Mainland China, Macau, Hong Kong and Taiwan. We have purchased medical insurance and employees' compensation for all our employees. We have also purchased travel risk insurance for all of our employees in respect of our operation in Macau and Hong Kong. We have purchased property insurance covering our major fixed assets.

Considering our current operations and the prevailing industry practice, our Directors are of the view that our insurance coverage is adequate and in line with industry practice. We intend to continue to maintain our current insurance coverage. We will continue to review and assess our risk portfolio and make appropriate adjustments to our insurance coverage.

Our Directors confirmed that after making all reasonable enquires, during the Track Record Period and up to the Latest Practicable Date, we have not received any material claim, nor have we made any material claims under our insurance policies or experienced any material business interruption.

PROPERTIES

We own properties in Italy and Macau and lease properties in Mainland China, Macau, Hong Kong and Taiwan in connection with our business operations.

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Owned properties

As at the Latest Practicable Date, our Group owned the following land use rights and properties in Italy and Macau:

Location	Our use of property	Approximate gross floor area (sq. m.)
Flat D, Floor 11, Industrial Fok Tai 11° AndarD, Avenida Leste Do Hipódromo N°S 25 – 69, Macau* (澳門，馬場東大馬路25–69號福泰工業大廈11樓D座)	Warehouse	479.6
Via Federico Confalonieri 6 20124 Milano Mi Filiale 00014”(Note)	Residential	184.0
20/F, Block B, Oscar Crescent, Extrada Governador Albano De Oliveira N° S/N, Na Taipa* (氹仔，柯維納馬路星玥20樓B座)(Note)	Residential	362.1
AC/V1-81 Oscar Crescent, Extrada Governador Albano De Oliveira N° S/N, Na Taipa* (氹仔，柯維納馬路星玥AC/V1-81)(Note)	Car parking space	12.5
AC/V1-82 Oscar Crescent, Extrada Governador Albano De Oliveira N° S/N, Na Taipa* (氹仔，柯維納馬路星玥AC/V1-82)(Note)	Car parking space	12.5

Notes: The properties are intended to be sold in the future.

Property Valuation

As at the Latest Practicable Date, we did not have any single property with a carrying amount exceeding 15% of our total assets, and accordingly, we are not required by section 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements under section 342(1)(b) of Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32 in relation to paragraph 34(2) of the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32, which requires a valuation report with respect to all of our interests in land or buildings.

Leased properties

We leased our offices and warehouses and all of our retail stores as at the Latest Practicable Date. We believe this leasing strategy reduces our capital investment requirements and allows more flexibility for our retail store network. Our expenses incurred for right-of-use of these leased premises which consisted of variable lease expenses, depreciation of right-of-use

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assets and finance cost in respect of right-of-use assets amounted to approximately HK\$213.9 million, HK\$218.0 million, HK\$250.8 million and HK\$184.7 million for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, respectively, representing approximately 22.5%, 20.4%, 18.7% and 20.7% of our revenue for the corresponding years/period.

Retail stores

As at the Latest Practicable Date, our Group occupied 215 premises with an aggregate retail area of approximately 33,810 sq.m. comprising retail spaces in shopping malls, designated concessionary spaces in department stores and free standing premises in Mainland China, Macau, Hong Kong and Taiwan.

The following table sets forth the maturity profile of the tenancy agreements and concession contracts (collectively, the “**tenancy agreements**”) entered into between individual landlords and us as at the Latest Practicable Date:

Tenancy agreements for retail stores expiring in	FY2019	FY2020	FY2021	FY2022 and beyond
Mainland China	5 ^(Note)	41	27	70
Macau	–	16	19	29
Hong Kong	–	2	3	1
Taiwan	–	–	2	–
	<u>5</u>	<u>59</u>	<u>51</u>	<u>100</u>

Note: Of these five tenancy agreements which are expiring by the end of December 2019, as at the Latest Practicable Date, we had reached verbal agreement with the landlords on the renewal of two tenancy agreements pending signing of the formal agreements; and we had also engaged in negotiation with a landlord for the renewal of a tenancy agreement, which had progressed smoothly. Our Directors confirm that from their experience and past dealings with the relevant landlords, once we have reached a verbal agreement with the landlord regarding the renewal of the tenancy agreement and the terms thereof, such as the new rental, term of the tenancy etc., we can continue to use the retail store based on the new terms and conditions. As to the remaining two tenancy agreements, our Directors decided not to renew the agreements and surrender the premises to the landlord upon their expiry by the end of December 2019.

Save and except for the landlord of our retail stores at Basement, Amizade Plaza 31A–31B, Avenida do Infante D. Henrique, Macau (澳門殷皇子大馬路31A–31B友誼廣場地庫) who is Sao Hang Investment Company Limited (首恆投資有限公司), a connected person of our Group, and the landlord of our retail stores at Blocks C and D, Grand Floor, Edificio Va Iong, 227–259 Avenida Doutor Mario Soares, Macau (澳門蘇亞利斯大馬路227–259號華榕大廈地下C、D座) who is Sao Gai Investment Company Limited (首佳投資有限公司), a connected person of our Group, all the landlords of our retail stores are Independent Third Parties. For details of the tenancy agreements of retail stores at Basement, Amizade Plaza 31A–31B, Avenida do Infante D. Henrique Macau (澳門殷皇子大馬路31A–31B友誼廣場地庫), please refer to the paragraphs

headed “Connected transactions – Non-exempt Continuing Connected Transactions – 3. Cooperation Services Framework Agreement” in this prospectus.

Title in relation to Leased Properties in Mainland China

As of the Latest Practicable Date, (i) the landlord of one property for use as our office with a gross floor area of approximately 595.42 sq.m. was still in the course of applying for title certification and yet to be able to provide us with the valid title certificate; (ii) the landlord of one property which we use as warehouse with a gross floor area of approximately 660 sq.m. did not provide valid ownership certificates or other ownership documents; and (iii) one property for operation of our retail store with a total sales floor area of approximately 98 sq.m. was located on parcels of land the approved land use of which was not for commercial purpose. Our PRC legal advisors have advised us that we would not be subject to any fines or penalties with respect to our leases of these properties but the validity of our leases may be affected if the title or the lessors’ right to leases is challenged by a third-party rights holder or the PRC government.

Our PRC Legal Advisors concur with our Directors’ view that the likelihood that our business and results of operations would be materially and adversely affected by these legal irregularities in respect of the title of our leased properties in Mainland China is extremely remote, considering that (i) we have not received any claim of rights by, or challenges from, any third parties or the PRC government in relation to the title of any of these leased properties since we have been using these leased properties or during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights or challenges from third parties or the PRC government at the same time, considering that these properties are leased from different counterparties; (iii) we may raise a claim against such lessors based on relevant PRC laws and regulations in respect of our losses in the event that we cannot legally occupy and use such leased properties; and (iv) we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property title defects.

Internal Control Measures

We will (i) request the landlords to provide the necessary documentation and valid title certificates and adopt an assessment checklist to ensure the compliance with relevant PRC laws and regulations in material aspect before we enter into lease with them; and (ii) require the landlords to register our lease agreements with the relevant housing administrative authorities. We will give priority to renting properties from the landlords that are willing to comply with our request.

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Salient terms of the leases in respect of our retail stores

Though the terms of each lease are different, they typically include the following:

Term	The term of the lease generally ranges from one year to five years.
Rentals and other expenses	Subject to the terms of individual lease, we are usually required to pay: – revenue rental which is calculated based on certain pre-agreed percentage of the gross sale proceeds of the retail store; – fixed monthly rental as mutually agreed with the landlord or shopping mall owner; and/or – the higher of the revenue rental or the fixed monthly rental; or – the combination of the revenue rental and the fixed monthly rental. Apart from rentals, we may have to pay to the landlord or the shopping mall owner other fees and expenses, such as management fees, utilities charges, promotional fees, festive contributions, advertising fees and other applicable fees, if any.
Financial statement	In case we have to pay revenue rental to the landlord or the shopping mall owner, we have to provide financial statements to the landlord or the shopping mall owner for verification of the amount of rental payable by us. For some retail stores which are in the shopping malls, the shopping malls will collect the proceeds of sale made by our retail stores and will pay to us the sale proceeds net of rental, promotional cost and other applicable fees and expenses, if any.
Rental deposit	We are generally required to pay rental deposit upon signing the lease, which is refundable after termination or expiration of the lease.

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Minimum sales target Under some leases with the shopping mall owner, we are required to meet the minimum sales target for each month during the term of the leases. Our Directors confirm that during the Track Record Period, we did not experience any material failure in meeting this monthly sales target which resulted in the termination of the lease by the shopping mall owner.

Offices and warehouses

As at the Latest Practicable Date, our Group occupied the following premises in Macau, Mainland China, Hong Kong and Taiwan as our offices and warehouses:

Location	Use of premises	Approximate gross floor area (sq. m.)	Expiry date of lease agreements
Suite 1204, 12/F, Tower 6, the Gateway, Harbour City, Hong Kong	Head office	150.0	14 August 2020
Unit A–C, 18/F, Finance and IT Center of Macau, Avenida Doutor Mário Soares* (澳門蘇亞利斯博士大馬路，澳門財富中心18樓A，B&C室)	Office	663.9	28 February 2023
Unit 3501–3505 Louhu Business Center, No. 2028, Shennan Road East, Louhu District Shenzhen* 深圳市羅湖區深南東路2028號羅湖商務中心3501–3505單元	Office	595.4	19 May 2021
Units 1701, 1702 and 1710, New World Commercial Center, 6009 Yitian Road, Futian District, Shenzhen* 深圳市福田區益田路6009號新世界商務中心1701、1702及1710單元	Office	636.5	31 January 2024
Unit 03, 16/F, Block C, Poly West Bund Center, 275 Ruiping Road, Xuhui District, Shanghai* 上海徐匯區瑞平路275號保利西岸中心C座16層03單元	Office	386.3	22 November 2022
Block A, 5/F, Edificio Bao Wa Kong Mao, 45 Beco da Ilha Verde, Macau* 澳門青洲里45號寶華工貿大廈5樓A座	Warehouse	526.3	31 January 2024

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Location	Use of premises	Approximate gross floor area (sq. m.)	Expiry date of lease agreements
Block B, 5/F, Edificio Bao Wa Kong Mao, 45 Beco da Ilha Verde, Macau* 澳門青洲里45號寶華工貿大廈5樓 B座	Warehouse	351.9	31 January 2024
24G Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen* 深圳市羅湖區南湖路國貿 商住大廈24G	Warehouse	101.2	28 February 2020
No. 5, 1/F, Block B, No. 3 Nurenxin Factory Building, 8 Ci Chang Road, Aobei Yicun, Heng Gang Jiedao, Longgang District, Shenzhen* 深圳龍 崗區橫崗街道坳背一村賜昌 8號3號廠房女人心B棟1樓5號	Warehouse	660	30 April 2020
Warehouse CKB118A, Level B1, Jiufang Shopping Center, 2020 Renmin Road, Longhua New District, Shenzhen* 深圳市龍華新區人民路 2020號九方購物中心B1層 CKB118A樓倉庫	Warehouse	36	24 December 2020

As at the Latest Practicable Date, all of our offices and warehouses are under tenancy agreements with landlords who are Independent Third Parties save and except the following premises the landlords of which are connected persons of our Group:

Premises	Landlord
24G Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen* 深圳市羅湖區南湖路 國貿商住大廈24G	Ms. Cheng King Ling
Units 1701, 1702 and 1710, New World Commercial Center, 6009 Yitian Road, Futian District, Shenzhen* 深圳市福田區益田路6009號 新世界商務中心1701、1702及1710單元	Mr. Fan and Ms. Cheng King Ling

* For identification

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For details of the leases of the above premises, please refer to the paragraphs headed “Connected Transactions – One-off Transactions – Tenancy Agreements” in this prospectus.

INTELLECTUAL PROPERTIES

Intellectual property rights held by our Group

As at the Latest Practicable Date, our Group owned registered trademarks and domain names, and has applied for registration of trademarks and domain names which are material to our business. For further details, please refer to the paragraph headed “Statutory and General Information – B. Further Information about the Business of Our Group – 2. Intellectual property rights of our Group” in Appendix IV in this prospectus.

Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial position.

Intellectual property rights licensed by brand owners to our Group

Under the distribution agreements entered into with brand owners, or pursuant to separate licensing agreements made with them, our Group is generally licensed to use the brand names or trademarks of the brands owners in the operation of our retail stores. Depending on the terms of each individual distribution agreement and the licensing agreement, the marketing plans, materials and artworks used in connection with the sales and marketing activities may have to be approved by the brand owners before launch or publication.

As at the Latest Practicable Date, we had not received any claims against our Group for infringement of any trademarks, nor were our Directors aware of any pending or threatened claims in relation to any actual or potential material infringement.

As at the Latest Practicable Date, our Group is not aware of any material infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third parties of any intellectual property rights owned by our Group.

LICENCES, PERMITS AND APPROVALS

Our Directors confirm that, after seeking the advice from relevant legal advisors, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals required in our Group’s operations in the Mainland China, Macau, Hong Kong and Taiwan.

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Our Directors confirm that we have complied with all applicable laws and regulations as set out in the section headed “Regulatory Overview” in this prospectus during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed “Non-Compliances” below.

LITIGATION

We are currently subject to legal proceedings involving disputes with a lessor in regard to a shopping mall in Mainland China. The legal proceedings began on 27 April 2017 in the Foshan City Nanhai District People’s Court. The plaintiff is a lessor of a shopping mall and alleged that our Group (as a co-defendant) had violated certain agreed terms regarding the timing of when our Group will open its retail stores. The court ruled in favour of the plaintiff and appeals were made by our Group against the decisions. However, as the other co-defendant had been deregistered during the course of the initial trial, the court ordered for a retrial, and the retrial of the legal proceedings was held in around June 2019 whereby the court ruled in favour of the plaintiff. Appeals were made by our Group against the decisions of the retrial in September 2019. The trial of second instance has commenced on 3 December 2019. As of the Latest Practicable Date, our Group is still waiting for the court decisions.

In April 2019, the plaintiff applied for litigation property preservation against our Group in relation to the above legal proceedings. The preservation was granted by the court and cash at bank of approximately RMB0.6 million (equivalent to approximately HK\$0.7 million) was frozen in May 2019. After seeking advice from our PRC Legal Advisors, our Directors estimate that the maximum potential penalty which our Group may be subject to in respect of the legal proceedings is approximately RMB2.1 million.

Save as the above, our Directors confirm that as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

NON-COMPLIANCES

The following table sets forth certain incidents of historical non-compliance with certain laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that such non-compliance incidents have not had, and will not have, a material adverse effect on our business, results of operation and financial condition. Apart from the below non-compliance incidents, our operations were in compliance with the applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incidents and reasons	Legal consequences and maximum potential penalties	Remedial actions and latest status	Potential impact on our operations and financial condition
1. During the Track Record Period and up to the Latest Practicable Date, Shenzhen Shouwei, Shenzhen Yingliang, Shanghai Lanyuan, Shanghai Yingzhao and Zhuhai Yinghua, did not make full contribution to social security fund and housing provident funds for certain employees. Such non-compliance incidents were primarily due to our designated human resources personnel's unintended and inadvertent oversight of the relevant PRC laws and regulations, which requires full contribution for all employees. Our Directors have assessed that the aggregate amount of outstanding social security fund for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 was approximately RMB2.2 million, RMB4.3 million, RMB7.0 million and RMB2.9 million, respectively; and the aggregate amount of outstanding housing provident funds for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 was approximately RMB0.5 million, RMB0.7 million, RMB0.6 million and RMB0.9 million, respectively. As at 31 July 2019, we had made payment of approximately RMB5.7 million, RMB6.0 million, RMB6.7 million and RMB6.4 million of social security fund contribution for all our employees of Shenzhen Shouwei, Shenzhen Yingliang, Shanghai Lanyuan, Shanghai Yingzhao and Zhuhai Yinghua for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively and the aggregate outstanding amount is approximately RMB2.2 million, RMB4.3 million, RMB7.0 million and RMB2.9 million for the relevant period respectively for the relevant employees in accordance with the applicable PRC laws and regulations. As at 31 July 2019, we had made payment of approximately RMB1.1 million, RMB1.2 million, RMB1.3 million and RMB1.2 million of housing provident funds contribution for all our employees of Shenzhen Shouwei, Shenzhen Yingliang, Shanghai Lanyuan, Shanghai Yingzhao and Zhuhai Yinghua for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively and the aggregate outstanding amount is approximately RMB0.5 million, RMB0.7 million, RMB0.6 million and RMB0.9 million for the relevant period respectively for the relevant employees in accordance with the applicable PRC laws and regulations.	As advised by our PRC Legal Advisors, under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), we may be ordered to pay up all outstanding contributions to social security fund within a prescribed period. An overdue penalty of 0.05% of the outstanding social security fund contributions per day as from the due date will be imposed by the competent PRC government authorities. If we fail to make such payment in full within the prescribed time limit, a fine in the amount of one to three times of the outstanding contributions will be imposed. As advised by our PRC Legal Advisors, pursuant to the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), if our Group fails to make contributions to the housing provident fund accounts, our Group may be ordered to make contributions to the outstanding housing provident funds within a specified time period, and if our Group fails to do so within the specified time period, the relevant authorities may apply to the PRC Court for compulsory enforcement of such payment.	During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Group to settle the outstanding amount of social security fund and housing provident fund contributions. Our Group had made a provision for the potential claim of unpaid social security fund and housing provident fund contributions of approximately RMB2.7 million, RMB5.0 million, RMB7.6 million and RMB3.8 million, respectively, for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019. Such provision was made by our management by accruing the outstanding social security fund and housing provident funds contributions based on the difference between the full contribution for the then existing employees as at the respective balance sheet dates and the actual amount paid for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. We have implemented a set of internal control policies to ensure compliance with the relevant PRC laws and regulations on social security fund and housing provident funds, which would be overseen by relevant staff of our management, human resources, finance and legal departments.	Our PRC Legal Advisors are of the view that although we have not fully complied with the relevant PRC laws and regulations on social security fund and housing provident funds, the likelihood that we will be penalised for the past non-compliance incident in the future is remote, taking into account: (i) the written compliance certificates or oral confirmations received from the competent PRC government authorities, Shenzhen Shouwei, Shenzhen Yingliang, Shanghai Lanyuan and Shanghai Yingzhao had not been penalized for any breaches of PRC laws and regulations in relation to social security fund and housing provident funds during the periods including FY2016, FY2017, FY2018 and the period from 1 January 2019 to 31 June 2019; (ii) according to Company's confirmation and our PRC Legal Advisors' verification, Shenzhen Shouwei, Shenzhen Yingliang, Shanghai Lanyuan and Shanghai Yingzhao had not been penalized for any breaches of PRC laws and regulations in relation to social security fund and housing provident funds during the period from 22 June 2019 to 31 July 2019; and (iii) as at the Latest Practicable Date, Zhuhai Yinghua had no employees as it ceased to operate any retail store since June 2019 and our Directors were not aware that there were any material employee complaints nor was Zhuhai Yinghua involved in any material labor disputes with its former employees with respect to social security fund and housing provident funds. Furthermore, pursuant to a deed of indemnity entered into by Mr. Fan in favour of our Group, Mr. Fan has undertaken, among other things, that he will indemnify us for all claims, costs, expenses, losses that may be incurred by us and liabilities and damages from which we may suffer arising out of or in connection with the non-compliance incident described herein on or before the Listing. In light of the foregoing, and given the rectification measures taken by our Group, our Directors are of the view that this non-compliance incident has no material impact on our operations and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

Non-compliance incidents and reasons	Legal consequences and maximum potential penalties	Remedial actions and latest status	Potential impact on our operations and financial condition
2. As of the Latest Practicable Date, we have not registered 74 lease agreements for retail stores, offices or warehouses with the housing administration authorities of the PRC which the competent authorities may order rectification or impose penalty under the relevant PRC laws and regulations. These non-compliance incidents were primarily caused by lack of cooperation from the lessors in registering lease agreements. Registration of lease agreements requires the lessors' cooperation, including submitting of their identity documents and building title certificates to the relevant authorities, which is not within our control.	As advised by our PRC Legal Advisors, we may be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration. The estimated total maximum penalty is RMB740,000. We did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreements described above. Our PRC Legal Advisors have advised us that the failure to register the lease agreements would not affect the validity of the lease agreements.	As the registration of 54 leases which will require the assistance or cooperation from the lessors is not within our control, the time required to complete the filing and registration procedures is unpredictable. For the remaining lease agreements where registration can be completed, we will submit the application documents for lease registration once those documents are in order. We have adopted the following measures: (i) we will complete the filing and registration procedures for the relevant lease agreements that the lessors are willing to cooperate; (ii) for new leases, we will communicate with potential lessors beforehand and select lessors that are willing to cooperate to the extent possible; and (iii) we have provided and plan to provide our senior management and legal staff with training regarding the legal and regulatory requirements applicable to our operations from time to time.	As no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, we were advised by our PRC Legal Advisors that, if the lease registration can be completed in accordance with relevant PRC laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent government authorities, the risk of government authorities imposing a penalty on us with respect to these leased properties is remote. Furthermore, pursuant to a deed of indemnity entered into by Mr. Fan in favour of our Group, Mr. Fan has undertaken, among other things, that he will indemnify us for all claims, costs, expenses, losses that may be incurred by us and liabilities and damages from which we may suffer arising out of or in connection with the non-compliance incident described herein on or before the Listing.
	For further information relating to risks associated with this non-compliance, please refer to the paragraph headed "Risk Factors – Risks relating to our business – part of our leased properties in the PRC may be subject to legal irregularities" in this prospectus.		In light of the foregoing, and given the rectification measures taken by our Group, our Directors are of the view that this non-compliance incident has no material impact on our operations and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

Non-compliance incidents and reasons	Legal consequences and maximum potential penalties	Remedial actions and latest status	Potential impact on our operations and financial condition
3. As of Latest Practicable Date, we have not completed the requisite public assembly place fire safety inspection approval (公眾集場所投入使用：營業前消防安全檢查合格證) for the retail store of <i>Calvin Klein Performance</i>. The reason was attributable to lessor of the relevant property which requires the application to be made by the lessor.	Our PRC Legal Advisors have advised us that we may be subject to: (i) a maximum potential penalty of RMB0.3 million, which represents the maximum penalty pursuant to relevant PRC laws and regulations where the potential penalty ranges from RMB30,000 to RMB300,000 per retail store, and (ii) closure of the retail store of <i>Calvin Klein Performance</i>. We did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to obtain the relevant fire safety inspection approval from the relevant fire safety authority described above.	We have not been able to complete the application for the relevant fire safety inspection approvals for one retail store of <i>Calvin Klein Performance</i>, due to reasons attributable to lessor of the relevant property which requires the application to be made by them. The revenue generated by the retail store of <i>Calvin Klein Performance</i> for which we have not been able to obtain fire safety inspection approval as at the Latest Practicable Date was approximately nil, nil, RMB0.5 million and RMB0.9 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively.	Our Directors are of the view that this non-compliance would not have a material and adverse effect on our business and results of operations, having considered the advice of our PRC Legal Advisors and taking into account that: (i) we did not receive any material fines or penalties with respect to this non-compliance during the Track Record Period and up to the Latest Practicable Date; (ii) this non-compliance does not constitute a breach of the obligations and responsibilities under the relevant distribution agreement which is valid and effective with our supplier; and (iii) we have maintained a pool of retail store site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so by relevant competent authorities.
			Furthermore, pursuant to a deed of indemnity entered into by Mr. Fan in favour of our Group, Mr. Fan has undertaken, among other things, that he will indemnify us for all claims, costs, expenses, losses that may be incurred by us and liabilities and damages from which we may suffer arising out of or in connection with the non-compliance incident described herein on or before the Listing.
			In light of the foregoing, our Directors are of the view that this non-compliance incident has no material impact on our operations and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We face a number of risks in our business operations including the risks relating to the expansion of our retail network and brand portfolio and the risk of foreign currency management etc. Our Directors are responsible for formulating, supervising and overseeing the effectiveness of our risk management system and implementation of our internal control systems.

To enhance our internal controls as well as in preparation for the Listing, our Group has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in March 2019 (the “**Internal Control Review**”). The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases and payables, fixed assets, treasury, financial reporting, payroll and general controls of information technology. The scope of internal control review work performed the long form report issued have been agreed between the Sole Sponsor, the Internal Control Consultant and our Group.

The Internal Control Consultant performed a follow-up review in July 2019 to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not identify any material internal control weakness.

We had adopted substantially all of the recommendations made by our Internal Control Consultant and had improved our internal control system to comply with the Listing Rules and the applicable laws and regulations. After discussion with the Internal Control Consultant, our Directors consider the findings did not have material impact on our financial position and operational performance. Our Internal Control Consultant had performed the Follow-up Review and our Group did not have significant deficiencies in our internal control system upon the closing assessment.

We have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal controls:

- (i) we established our audit committee which comprises three independent non-executive Directors, and all of them possess extensive experience in financial and general management. Our audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, our audit committee is empowered to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal controls or other matters;
- (ii) we established and adopted an internal control mechanism to manage and govern the corporate governance and procedures, codes of conducts, conflicts of interests and staff training, to enhance our internal compliance system and monitor proper conduct of business;

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- (iii) we have adopted a risk management policy and instituted a formal risk management mechanism to identify, analyse and control the internal and external risks faced by our Group, which will be reviewed from time to time to check its effectiveness;
- (iv) our Directors and members of our senior management attended a training session in July 2019, which was conducted by our Company's Hong Kong legal advisors, on the on-going obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the Listing Rules;
- (v) we have appointed China Industrial Securities International Capital Limited as our compliance advisor upon Listing to advise us on regulatory compliance with the Listing Rules, who will be responsible for assessing and monitoring compliance with our internal control policies, recommending additional internal control measures if required; coordinating compliance training for our employees and reporting the above to our Directors;
- (vi) When necessary, we will engage external professionals, including auditors, internal control consultants, external legal advisor(s) and other advisors to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time. Our Group intends to engage PricewaterhouseCoopers as our Group's auditor after Listing; and
- (vii) Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisors and/or other appropriate independent professional advisors with respect to matters related to our internal controls and compliance when necessary and appropriate. We will engage PRC legal advisors to provide legal services to our Group in relation to future compliance with the PRC laws and regulations including but not limited to environmental protection laws and regulations.

Based on the recommendations of the Internal Control Consultant, our Group has taken key steps to enhance our internal control system and risk management measures.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and enhance the control environment in both the daily operation and management levels. Accordingly, our Directors and the Sole Sponsor are of the view that the internal control system currently implemented by our Group are adequate and effective to our operations.

Taking into account the remedial measures we have adopted and the enhanced internal control measures implemented in connection with the non-compliance incidences disclosed under the paragraph headed "Non-Compliance" in this prospectus, the result of the review conducted by our Internal Control Consultant, the establishment of the audit committee, trainings provided

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to our Directors, on-going monitoring and supervision by our management, our Directors are of the view that we have taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and hence, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for our Group's business operations.

We have working capital management policies in place to monitor and manage the liquidity risk. We regularly monitor our Group's liquidity risk and maintain adequate cash and cash equivalents to meet our liquidity requirements. We require an average monthly operating cost settled in cash (excluding provisions and impairments) of approximately HK\$73.2 million, HK\$77.7 million, HK\$97.1 million and HK\$116.1 million, which mainly consisted of our cost of sales, selling and distribution expenses, general and administrative expenses (without listing expenses) and finance costs for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019. We maintain a cash-flow projections for next twelve months and regularly check the actual cash flow against the projections to maintain our daily operation and to avoid unnecessary cash outflow. We implement the inventory management system to minimise the amount of off-season apparel and speed up the turnover of inventory. We have trade payable policies in place to monitor payments and to ensure that no payments are made earlier than the due date required by the suppliers. Expenses control system is also in place to prevent unnecessary expenditures without approval or previous planning. Stress-testing covering a period of six months is applied based on plausible stress scenarios such as absence of external funds, or if applicable, delay in collection of receivables and drop in sales to determine whether our Group has sufficient funding to withstand unexpected disruptions which affects our decision to make capital investment for expansion. We negotiate with the banks from time to time for sufficient credit lines as a standby liquidity to our Group.

We strive to strengthen the role of our Board as a decision-making body in relation to our fundamental policies and management issues, and supervising our operations. Our Board comprises three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive experience in corporate governance and specialised knowledge. For further details of the qualification and experience of our Board members, please refer to the section headed "Directors and Senior Management" in this prospectus.

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AWARD AND RECOGNITION

The following are some of the awards and recognitions we have received since our establishment:

Award/Recognition	Recipient	Year	Awarding organization/ Authority
<i>Calvin Klein Jeans</i> Best New Store	Shenzhen Shouwei	2012	PVH Group
<i>Tommy Hilfiger</i> Excellent Visual Display	Shenzhen Yingliang	2012	PVH Group
<i>Calvin Klein Jeans/Calvin Underwear</i> – Partnership for 10 years	Shenzhen Shouwei	2013	PVH Group
<i>Calvin Klein Underwear</i> Best New Store	Shenzhen Shouwei	2013	PVH Group
<i>Calvin Klein Underwear</i> Best New Store	Shenzhen Shouwei	2014	PVH Group
<i>Calvin Klein Jeans & Calvin Klein Underwear</i> Best VIP Recruitment	Shenzhen Shouwei	2015	PVH Group
<i>Calvin Klein Jeans</i> Best New Store	Shenzhen Shouwei	2016	PVH Group
<i>Calvin Klein Underwear</i> Sales Champion New Store	Shenzhen Shouwei	2017	PVH Group
<i>Calvin Klein</i> Best Sales Increase	Shenzhen Shouwei	2017	PVH Group
Best Management of Merchandising	Shenzhen Yingliang	2017	PVH Group
<i>Tommy Hilfiger</i> Best Sales Performance – Guangdong Longgang Wanke	Shenzhen Yingliang	2017	Guangdong Longgang Wanke

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Award/Recognition	Recipient	Year	Awarding organization/ Authority
<i>Tommy Hilfiger</i> Best Team – Guangdong Longgang Wanke	Shenzhen Yingliang	2017	Guangdong Longgang Wanke
<i>Calvin Klein Jeans/Calvin Underwear</i> Special Award – Partnership for 15 years	Shenzhen Shouwei	2018	PVH Group
Affirmation from brand principal for 15 years partnership	Shenzhen Shouwei	2018	PVH Group
<i>Calvin Klein</i> Best Market Development	Shenzhen Shouwei	2018	PVH Group
<i>Calvin Klein Underwear</i> Best New Store	Shenzhen Shouwei	2018	PVH Group
<i>Tommy Hilfiger</i> Best New Store	Shenzhen Yingliang	2018	PVH Group

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. The following table sets forth certain information regarding our Directors and members of our senior management:

Members of our Board

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Fan Wing Ting (范榮庭)	64	Chairman of our Board and executive Director	16 May 2019	5 March 2005	Responsible for the overall strategic planning and management, administration and overall direction of our Group's business operations; serving as the chairman of our Nomination Committee	Father of Ms. Fan Tammy and uncle of Mr. Fong Yat Ming
Ms. Chen Xingyi (陳幸儀)	43	Executive Director and chief executive officer	26 July 2019	15 March 2005	Responsible for the overall strategic planning, management and administration of our Group's business operations; serving as a member of our Remuneration Committee	Nil
Mr. Kevin Trantallis (陳漢榮)	45	Executive Director, chief financial officer and company secretary	16 May 2019	8 April 2015	Responsible for financial management of our Group's business operations	Nil
Mr. Fong Yat Ming (方日明)	34	Executive Director	26 July 2019	1 August 2007	Responsible for marketing strategy of our Group's business operations	Nephew of Mr. Fan and cousin of Ms. Fan Tammy
Ms. Fan Tammy (范麗君)	31	Executive Director	26 July 2019	1 June 2011	Responsible for business development of our Group's business operations	Daughter of Mr. Fan and cousin of Mr. Fong Yat Ming

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Independent non-executive Directors						
Mr. Chau Kwok Keung (鄒國強)	43	Independent non-executive Director	17 December 2019	17 December 2019	Responsible for providing independent advice to our Board; serving as the chairman of our Audit Committee	Nil
Mr. Yu Chun Kau (余振球)	47	Independent non-executive Director	17 December 2019	17 December 2019	Responsible for providing independent advice to our Board; serving as the chairman of our Remuneration Committee and a member of each of our Audit Committee and Nomination Committee	Nil
Mr. Cheung Chun Yue, Anthony (張振宇)	37	Independent non-executive Director	17 December 2019	17 December 2019	Responsible for providing independent advice to our Board; serving as a member of each of our Audit Committee, Remuneration Committee and Nomination Committee	Nil

Members of our senior management

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ms. Fung Sze Nga, Dorothy (馮詩雅)	41	Junior human resources director	11 August 2017	11 August 2017	Responsible for human resources and administrative operations of our Group	Nil
Mr. Choi Chin Chung (蔡展忠)	45	Senior IT manager	1 March 2016	1 March 2016	Responsible for IT operations of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fan Wing Ting (范榮庭), aged 64, is the founder, chairman, executive Director, and Controlling Shareholder of our Group. He was first appointed as a Director on 16 May 2019 and was re-designated as an executive Director on 26 July 2019. He is also the chairman of our Nomination Committee. He is primarily responsible for the overall strategic planning and management, administration and overall direction of our Group's business operations.

Mr. Fan has served our Group for over ten years. Mr. Fan is instrumental in our business expansion and oversaw the integration of our multi-brand store strategy such as *UM*, *UM Junior* and *WF Fashion* that showcases an assortment of high-end fashion apparel and luxury lifestyle products selected from our collection of international brands, designer labels and our in-house brand *UM*, *UM•IXOX* and *IXOX* apparel products. Under his leadership, our Group continues to expand our brand portfolio and retail network to increase our market presence in Mainland China, Macau, Hong Kong and Taiwan.

Mr. Fan obtained the individual dental practitioner certificate of Guangdong Province in the PRC in April 1986. He was admitted as a member of The American Chamber of Commerce in Macau in November 2017.

Mr. Fan is the father of Ms. Fan Tammy and uncle of Mr. Fong Yat Ming.

Ms. Chen Xingyi (陳幸儀), aged 43, was appointed as an executive Director on 26 July 2019. Ms. Chen is also the chief executive officer of our Group and a member of our Remuneration Committee. She is responsible for the overall strategic planning, management and administration of our Group's business operations.

Ms. Chen has served our Group for over ten years. She joined our Group in March 2005 as an operation manager and also as Mr. Fan's secretary at the Shenzhen office of Wide Spread. She was subsequently promoted as the general manager of Shenzhen Shouwei in January 2011 and was further promoted as the chief operating officer of our Group in January 2013. Since January 2016, she has been the chief executive officer of our Group.

Ms. Chen obtained a certificate in business English from the Shenzhen Polytechnic (深圳職業技術學院) in the PRC in June 1998. She obtained her business English certificate 1 and business English certificate 2 from the University of Cambridge Local Examinations Syndicate in October 1996 and in September 1997, respectively.

Mr. Kevin Trantallis (陳漢榮), aged 45, was first appointed as a Director on 16 May 2019 and was re-designated as an executive Director, the chief financial officer and company secretary of our Group on 26 July 2019. Mr. Trantallis joined our Group in April 2015 as a finance director of World First Holdings. He is responsible for financial management of our Group's business operations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Trantallis has over 15 years of experience in the fashion industry. From May 1996 to April 1999, he was employed at Barro Group Pty. Limited as an assistant accountant in Australia. From April 1999 to April 2001, he worked as a financial analyst at 7-Eleven Stores Pty. Ltd. in Australia. He also worked at Prada Asia Pacific Limited from November 2001 to September 2004, with his last position as a treasury analyst. From September 2004 to February 2011, he worked at Christian Dior Far East Limited initially as a business analyst and was subsequently promoted as a general manager (Guam & Saipan in the United States) in December 2007. From March 2011 to July 2013, he served as an executive officer to the chairman at i.t apparels Limited, a subsidiary of I.T Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0999). Before joining our Group, he was the head of controlling at Hugo Boss Hong Kong Ltd. from October 2013 to October 2014.

Mr. Trantallis graduated from The University of Melbourne in Australia with a degree in bachelor of commerce in March 1996. He subsequently obtained a degree in master of business administration from The University of Melbourne in Australia in June 2002. In 2007, he further completed his degree in master of arts in fashion and textiles (global fashion management) (with credit) from The Hong Kong Polytechnic University. He was admitted as a certified practising accountant of CPA Australia in August 2001 and was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2004.

Mr. Fong Yat Ming (方日明), aged 34, was appointed as an executive Director on 26 July 2019. He is responsible for marketing strategy of our Group's business operations.

Mr. Fong has served our Group for over ten years. He joined our Group in August 2007 as an operation assistant of Macau Ieng Nam and was promoted as a senior buyer and a regional manager trainee in September 2009 and in March 2010, respectively. He was further promoted as a regional manager of Macau Ieng Nam in March 2011. Since March 2017, he has been a regional director and acting general manager of Macau Ieng Nam.

Mr. Fong graduated from The University of Nottingham in the United Kingdom with a degree of bachelor of arts with honours in finance, accounting and management in July 2007.

Mr. Fong is the nephew of Mr. Fan and cousin of Ms. Fan Tammy.

Ms. Fan Tammy (范麗君), aged 31, was appointed as an executive Director on 26 July 2019. She is responsible for business development of our Group's business operations.

Ms. Fan has served our Group for over eight years. She joined our Group in July 2011 as the head of strategy of World First Holdings.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fan completed the AEM Business Management Certificate Program from Cornell University in the United States in July 2009. She subsequently obtained a degree in bachelor of arts in economics from University of Southern California in the United States in May 2010. Ms. Fan also completed her Fall 2010 and Spring 2011 semesters in fashion marketing from the Parsons School of Design in the United States.

Ms. Fan is the daughter of Mr. Fan and cousin of Mr. Fong Yat Ming.

Independent non-executive Directors

Mr. Chau Kwok Keung (鄒國強), aged 43, was appointed as an independent non-executive Director on 17 December 2019. Mr. Chau is the chairman of our Audit Committee. He is responsible for providing independent advice to our Board.

Mr. Chau has over 15 years of experience in the finance industry. From January 2001 to June 2002, he worked at Arthur Andersen & Co., where he initially served as a staff accountant and was subsequently promoted as a senior consultant in the global corporate finance solution segment. From June 2002 to August 2003, he served as a financial controller at Shanghai Hawei New Material and Technology Company Limited. From August 2003 to April 2005, he worked as a deputy group financial controller at China South City Holdings Limited, a company currently listed on the Main Board of the Stock Exchange (stock code: 1668).

From October 2005 to October 2007, Mr. Chau served as the vice president (finance) and then as the chief financial officer, company secretary, authorised representative and qualified accountant at Sino Splendid Holdings Limited (formerly known as China.com Inc. at the time of employment), a company listed on GEM of the Stock Exchange (stock code: 8006). Mr. Chau has been the chief financial officer and an executive director at Comtec Solar Systems Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0712) since November 2007.

Mr. Chau was a member of supervisory board in RIB Software SE (formerly known as RIB Software AG at the time of employment), a company listed on the Frankfurt Stock Exchange (FRA: RIB) from May 2010 to June 2013. He also served as an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6198) and the Shanghai Stock Exchange (stock code: SH601298) from May 2014 to May 2019.

Mr. Chau has been an independent director of The9 Limited, a company listed on NASDAQ (NASDAQ: NCTY) since October 2015. He has been an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2779) since October 2017. He has been an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6055) since December 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau graduated from The Chinese University of Hong Kong with a degree in bachelor of business administration in December 1998. He was admitted as a member of The Association of Chartered Certified Accountants in June 2002, a chartered financial analyst of the CFA Institute (formerly known as Association for Investment Management and Research) in September 2003 and a member of Hong Kong Institute of Certified Public Accountants in July 2005. He obtained a certificate of Qualified Independent Director (獨立董事資格證書) from the Shanghai Stock Exchange in August 2017.

Mr. Yu Chun Kau (余振球), aged 47, was appointed as an independent non-executive Director on 17 December 2019. He is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee. He is responsible for providing independent advice to our Board.

Mr. Yu has over 20 years of experience in the finance and management industry. From August 1994 to July 2002, he worked at KPMG with his last position as a manager. From July 2002 to November 2003, he worked as a financial controller at China Finance Investment Holdings Limited (formerly known as First Dragoncom Agro-Strategy Holdings Limited at the time of employment), a company listed on the Main Board of the Stock Exchange (stock code: 875). From December 2003 to June 2006, he worked as an assistant director at Kerry Beverages Limited. From June 2006 to February 2008, he served as the chief financial officer at the Brigantine Group. From June 2010 to December 2012, he was an executive director, chief financial officer and company secretary at China Risun Group Limited (formerly known as China Risun Coal Chemicals Group Limited at the time of employment), a company currently listed on the Main Board of the Stock Exchange (stock code: 1907).

Mr. Yu was also the chief financial officer (from June 2010 to December 2012), an executive director (from May 2011 to November 2012) and company secretary (from November 2012 to December 2012) at Sitoy Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1023). From September 2013 to December 2016, he was the vice president, chief financial officer and company secretary at Cosmo Lady (China) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2298). He has been an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) since December 2017. He is currently a chief financial officer of a company engaged in pharmaceutical industry business, which is a subsidiary of a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of JiaChen Holding Group Limited, the issued shares of which are being applied for listing on the Main Board of the Stock Exchange.

Mr. Yu graduated from The Chinese University of Hong Kong with a degree in bachelor of business administration with first class honours in December 1994. In June 2005, he also obtained a degree in master of corporate governance from The Open University of Hong Kong. He was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and was registered as a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager in the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Institute of Chartered Secretaries and as a fellow member of The Institute of Chartered Secretaries and Administrators.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Chun Yue, Anthony (張振宇), aged 37, was appointed as an independent non-executive Director on 17 December 2019. He is a member of our Audit Committee, Remuneration Committee and Nomination Committee. He is responsible for providing independent advice to our Board.

Mr. Cheung has over 10 years of experience in the finance industry. From October 2008 to April 2011, he worked as an investment manager at Gartmore Investment Management. From May 2011 to January 2014, he worked as a senior portfolio manager at Pictet Asset Management. From February 2014 to February 2016, he worked at BNP Paribas Hong Kong Branch with his last position as a portfolio manager. He served as a managing director at Hamon Asset Management Limited from March 2016 to July 2019.

Mr. Cheung has been an independent non-executive director of IPE Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0929) since June 2017 and has been an independent non-executive director of China Shineway Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2877) since January 2019. He is currently a director of ExodusPoint Capital Management Hong Kong, Limited.

Mr. Cheung obtained a certificate in professional accountancy from the School of Continuing and Professional Studies, The Chinese University of Hong Kong in January 2007 and a degree in bachelor of science in economics from The London School of Economics and Political Science, University of London in the United Kingdom in July 2004. He completed the Prince of Wales's Business & Sustainability Programme at the University of Cambridge Institute for Sustainability Leadership (CISL) in November 2017. He also obtained his certified European environmental, social and governance analysis diploma from the European Federation of Financial Analysts Societies (EFFAS) in March 2018. He currently serves at the Hong Kong Institute of Directors (HKIoD) as the deputy chairman of the Training Committee. He is also a member of the Board of Governors at Friends of the Earth (HK).

DIRECTORS' INTEREST

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Directors" in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of our Company; (iii) did not hold any other directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iv) each of our Directors did not have any interest in any Shares of our Company within the meaning of Part XV of the SFO; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Fung Sze Nga, Dorothy (馮詩雅), aged 41, joined our Group in August 2017 as a junior human resources director. She is primarily responsible for the human resources and administrative operations of our Group.

Ms. Fung has over 10 years of experience in the human resources field in the apparel industry. From June 2000 to July 2006, she was employed at Giordano Limited, where she initially worked as a trainee and was subsequently promoted as a human resources officer. From July 2006 to February 2008, she worked at Swire Resources Limited, where she initially worked as a human resources officer and was subsequently promoted as a senior human resources officer. Before joining our Group, She worked at i.t apparels Limited, a subsidiary of I.T Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0999) from February 2008 to July 2017, with her last position as a senior human resources manager.

Ms. Fung graduated from The Hong Kong University of Science and Technology with a degree in bachelor of business administration in marketing in November 2000. She subsequently obtained a diploma in legal studies from The University of Hong Kong, School of Professional and Continuing Education in September 2005. In November 2011, she further obtained a degree in master of strategic human resources management from Hong Kong Baptist University.

Mr. Choi Chin Chung (蔡展忠), aged 45, joined our Group in March 2016 as a senior IT manager. He is primarily responsible for the IT operations of our Group.

Mr. Choi has over 10 years of experience in various IT roles with regional exposure within Asia Pacific. From June 1997 to October 1998, he was employed at Christian Dior Far East Limited, with his last position as an EDP assistant. From October 1998 to January 1999, he worked as an IT support specialist at Bluebell (Asia) Limited. From February 1999 to June 2000, he worked at Louis Vuitton Pacific Limited, with his last position as an IT support specialist. From June 2000 to January 2001, he worked as a consultant at Delirium (HK) Limited.

From February 2001 to November 2001, Mr. Choi worked as a project consultant at Raymark Asia Limited. From September 2002 to May 2005, he worked as an ITM officer at Mercedes-Benz China Limited. From May 2005 to December 2011, he re-joined Christian Dior Far East Limited as an assistant ITM manager. From March 2012 to December 2013, he worked at J. Choo Limited in the United Kingdom as a project manager. Before joining our Group, he served as a business operations manager (Asia) at J.Choo (Asia) Limited from January 2014 to November 2015.

Mr. Choi graduated from the City University of Hong Kong with a degree in bachelor of engineering (honours) in computer engineering in December 1996. He has been certified as a project management professional (PMP) by Project Management Institute since September 2005 and passed the Information Technology Infrastructure Library (ITIL) version 3 Foundation Examination in March 2010.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in the paragraph headed “Senior Management” above in this section, each of our senior management 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.

COMPANY SECRETARY

Mr. Kevin Trantallis (陳漢榮) is our company secretary and also one of the executive Directors of our Company. Please refer to the paragraph headed “Executive Directors” in this section for his biographical details.

AUTHORISED REPRESENTATIVES

Mr. Kevin Trantallis (陳漢榮) and Ms. Fan Tammy (范麗君) have been appointed as the authorised representatives of our Company under Rule 3.05 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed China Industrial Securities International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us on the following circumstances:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit Committee

We established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance**”).

DIRECTORS AND SENIOR MANAGEMENT

Code”). The Audit Committee consists of Mr. Chau Kwok Keung, Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony, all being our independent non-executive Directors. The chairman of our Audit Committee is Mr. Chau Kwok Keung. The primary duties of the Audit Committee include, but not limited to, the following: (i) providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 and paragraph D.3 of the Corporate Governance Code. The Remuneration Committee consists of Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony, being our independent non-executive Directors, and Ms. Chen Xingyi, being our executive Director. The chairman of our Remuneration Committee is Mr. Yu Chun Kau. The primary duties of the Remuneration Committee include, but not limited to, the following: (i) making recommendations to our Board on the policy and structure for all remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing such policy; (ii) determining the specific remuneration packages of all our Directors and senior management; and (iii) reviewing and approving performance-based remuneration proposals by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

We established a Nomination Committee with written terms of reference in compliance with paragraph A.5 and paragraph D.3 of the Corporate Governance Code. The Nomination Committee consists of Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony, being our independent non-executive Directors, and Mr. Fan, being our executive Director. The chairman of our Nomination Committee is Mr. Fan. The primary duties of the Nomination Committee include, but not limited to, the following: (i) reviewing the structure, size and composition of our Board of Directors; (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to our Board on matters relating to the appointment of the Directors.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon Listing.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the objective and approach to achieve and maintain diversity of our Board. Our Company recognises and embraces the benefits of board diversity to enhance the quality of its performance and endeavours to ensure that the Board has appropriate balance and level of skills, experience and diversity of perspectives required to support the execution of our Company’s business strategies. Pursuant to our Board Diversity Policy, we seek to achieve board diversity through consideration of various factors when selecting the candidates to our Board, including but not limited to, gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises eight members, including five executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including distribution, sales, marketing, finance and accounting experiences. Furthermore, the age demographic of our Directors ranges from 30 to 65. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including, without limitation, at the Board and senior management levels. In particular, two of our executive Directors are female and one of our senior management is also female. Going forward, our Company will take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of our Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the Board Diversity Policy in our corporate governance report on an annual basis.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of salaries, discretionary bonuses and other allowances and benefits in kind, including our Company’s contribution to the pension scheme on their behalf. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate amount of remuneration, including salaries, wages, bonus, other benefits and contribution to pension scheme paid by us to our Directors was approximately HK\$3.6 million, HK\$4.8 million, HK\$5.5 million and HK\$3.3 million, respectively, while aggregate amount of remuneration, including basic salaries, allowance, other benefits and contribution to pension scheme, paid to the five highest paid individuals of our Group, excluding our Directors, was approximately HK\$1.1 million, HK\$1.2 million, HK\$1.3 million and HK\$1.2 million, respectively.

Save as disclosed in this paragraph headed “Remuneration of Directors and senior management”, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period.

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

Under the arrangements currently in force, the expected annual Directors’ fees and other emoluments to be paid by our Group for the financial year ending 31 December 2019 will be approximately HK\$6.6 million.

After the Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, experience and the performance of our Group.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options that may be granted under the Share Option Scheme), Gold Star will be beneficially interested in 75% of the issued Shares. Gold Star is wholly-owned by Mr. Fan. Accordingly, Gold Star and Mr. Fan are our Controlling Shareholders under the Listing Rules.

Gold Star is an investment holding company incorporated in the BVI. Mr. Fan founded our Group in 2005, and he is also the chairman of our Board and our executive Director. For more details on Mr. Fan's biography, please refer to the paragraph headed "Directors and Senior Management – Directors – Executive Directors" in this prospectus.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

All outstanding amounts due to and from, among others, our Controlling Shareholders will be settled in full prior to the Listing. Please refer to the paragraph headed "Financial Information – Principal Financial Position Items – Amount due from/(to) related parties" in this prospectus for further details. All personal guarantees and pledges provided by our Controlling Shareholders will be released shortly before or upon the Listing. We will not rely on our Controlling Shareholders for financing after the Listing as we have sufficient working capital to operate our business independently.

Accordingly, our Directors are of the view that we are financially independent of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Our Group has established a set of internal control measures to facilitate the effective operations of our business. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all material licences, permits and certificates to conduct our business operations, and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We have independent access to suppliers, customers and an independent management team to function independently. We have our own headcount of employees for our operations and management of human resources.

On the basis of the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

Management Independence

Our Company maintains an independent Board to oversee our Group's business. Our Board is responsible for contemplating and approving business plans and strategies of our Group, monitoring the implementation of business plans and strategies and supervising the management of our Group. Our Group has an independent management team, which is led by a team of senior management with extensive experience and expertise in our business, to implement our Group's business plans and strategies in the daily operations.

Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. Our Controlling Shareholder only forms a minority of our Board. Our independent non-executive Directors represent more than one-third of the members of our Board. Two out of three of our independent non-executive Directors are registered certified public accountants of the Hong Kong Institute of Certified Public Accountants and all of our independent non-executive Directors are experienced in different areas of business. They have been appointed to oversee our Board, ensure that there is no potential conflict of interest or competition with our Controlling Shareholders and that the decisions of our Board will be made only after due consideration of independent and impartial opinions. Therefore, our Directors believe that the current composition of our Board will provide a balanced and diverse view which is in the benefit of our Group's future business decisions. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his fiduciary duties as a director of our Company, which require him to act for the benefit and in the best interests of our Company and does not allow any conflict between his position as a Director and personal interest to arise. In the event that there is potential conflict of interest arising from any transaction to be entered into between our Company and our Directors and/or their respective close associates, in accordance with the Articles, the interested Director(s) shall, unless otherwise provided in the Articles, abstain from voting and not form a quorum on such transactions at the relevant Board meeting of our Company.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently. Our Directors are also of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the Listing.

CONNECTED TRANSACTIONS

OUR CONNECTED PERSONS

Connected Employees

The following individuals will be connected persons of our Company under the Listing Rules upon Listing:

- (1) Mr. Fan Joey is the son of Mr. Fan, our executive Director and our Controlling Shareholder. Accordingly, Mr. Fan Joey is an associate of Mr. Fan and hence a connected person of our Company under Chapter 14A of the Listing Rules;
- (2) Ms. Luk Zoe is the spouse of Mr. Fong Yat Ming, our executive Director. Accordingly, Ms. Luk Zoe is an associate of Mr. Fong Yat Ming and hence a connected person of our Company under Chapter 14A of the Listing Rules; and
- (3) Mr. Zheng Guang Wei is the nephew of Mr. Fan, our executive Director and our Controlling Shareholder. Accordingly, Mr. Zheng Guang Wei is deemed to be a connected person of our Company under Chapter 14A of the Listing Rules,

(together referred to as “**Connected Employees**”, each a “**Connected Employee**”).

Sao Hang Investment (Macau)

Sao Hang Investment Company Limited (首恆投資有限公司) (“**Sao Hang Investment (Macau)**”) is a company incorporated in Macau which is principally engaged in the operation of shopping malls in Macau and is owned as to 96% by Mr. Fan and 4% by Ms. Fan Po Yuk, the sister of Mr. Fan. Mr. Fan is an executive Director and our Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Sao Hang Investment (Macau), Sao Hang Investment (Macau) is therefore an associate of Mr. Fan and a connected person of our Company under Chapter 14A of the Listing Rules.

Twelve S.A. Group

Twelve S.A. is a company incorporated in Luxembourg which is principally engaged in fashion business. Twelve S.A. holds approximately 40% interest in our subsidiary, NB China. White S.R.L. is a company incorporated in Italy and is the brand owner of *Neil Barrett*. As White S.R.L. is indirectly wholly-owned by Twelve S.A., it is therefore an associate of Twelve S.A.. Accordingly, Twelve S.A. and associates of Twelve S.A. (comprising White S.R.L., collectively the “**Twelve S.A. Group**”) are connected persons of our Company under Chapter 14A of the Listing Rules.

SJ Synergy Engineering

SJ Synergy Engineering Company Limited (晟杰工程有限公司) (“**SJ Synergy Engineering**”) is a limited company incorporated in Macau which is principally engaged in the

CONNECTED TRANSACTIONS

provision of fitting-out works and is owned as to 96% by Mr. Fan Rongxiong, the brother of Mr. Fan, and 4% by Ms. Zhang Xiaoming, the spouse of Mr. Fan Rongxiong. Mr. Fan is an executive Director and our Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Engineering, SJ Synergy Engineering is therefore an associate of Mr. Fan and a connected person of our Company under Chapter 14A of the Listing Rules.

SJ Synergy Holdings

SJ Synergy Holdings Limited (晟杰集团有限公司) (“**SJ Synergy Holdings**”) is a limited company incorporated in Hong Kong which is principally engaged in the provision of fitting-out works and is owned as to 100% by Mr. Fan Rongxiong, the brother of Mr. Fan. Mr. Fan is an executive Director and our Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Holdings, SJ Synergy Holdings is therefore an associate of Mr. Fan and a connected person of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business and are expected to continue upon Listing.

						For the seven months ended 31 July 2019 HK\$
Agreement(s)	Connected person(s)	FY2016 HK\$	FY2017 HK\$	FY2018 HK\$		
Fully exempt continuing connected transactions						
1.	Employment Agreements with Connected Employees	Mr. Fan Joey, Ms. Luk Zoe and Mr. Zheng Guang Wei	585,024	685,546	984,179	487,219
2.	NB Cooperation Agreement	Twelve S.A. Group	2,667,053	2,167,400	1,524,638	1,823,242
Non-exempt continuing connected transactions						
3.	Cooperation Services Framework Agreement	Sao Hang Investment (Macau)	27,567,757	26,349,025	23,155,859	14,385,853

CONNECTED TRANSACTIONS

					For the seven months ended 31 July 2019
Agreement(s)	Connected person(s)	FY2016 HK\$	FY2017 HK\$	FY2018 HK\$	2019 HK\$
4. Renovation Agreements					
(A) SJ Synergy Engineering Framework Agreement	SJ Synergy Engineering	43,266,747	71,419,100	39,592,077	16,752,435
(B) SJ Synergy Holdings Framework Agreement	SJ Synergy Holdings	nil	2,567,974	1,735,679	680,373

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Employment Agreements with Connected Employees

Our Group employs certain Connected Employees who are connected to our Directors. The Connected Employees include Mr. Fan Joey, Ms. Luk Zoe and Mr. Zheng Guang Wei who hold positions in our Group as executive assistant, brand manager and brand manager, respectively. For details of their relationships with our Directors, please refer to the paragraph headed “Our Connected Persons” above in this section.

Each of the Connected Employees has entered into a written employment contract (as supplemented by a supplemental employment contract) (the “**Connected Employee Employment Contracts**”) with our Group. It is also expected that the Connected Employees will continue to be employed by our Group following the Listing. Our Directors consider that the entering into of the Connected Employee Employment Contracts with each Connected Employee is in our ordinary and usual course of business and the terms therein are on normal commercial terms, are fair and reasonable, and in the interests of our Group and our Shareholders as a whole.

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the total remuneration (including salaries and allowances, discretionary bonus and retirement benefit scheme contributions) paid to the Connected Employees amounted to approximately HK\$585,024, HK\$685,546, HK\$984,179 and HK\$487,219, respectively. The remuneration paid to each Connected Employee was commensurate with his or her experience, position and performance.

CONNECTED TRANSACTIONS

Our Directors estimate that the annual total remuneration (including salaries and allowances, discretionary bonus and retirement benefit scheme contributions) payable to the Connected Employees will not exceed HK\$3 million for each of the years ending 31 December 2020 and 2021, as determined by our Directors with reference to the contractual amounts payable under the Connected Employee Employment Contracts and the expected adjustments in their remuneration during the relevant contractual period.

Since each of the percentage ratios (other than the profits ratio) with respect to the annual total remuneration to the Connected Employees pursuant to the Connected Employee Employment Contracts is less than 5% and the annual total remuneration is less than HK\$3 million, the transactions constitute de minimis continuing connected transactions under Chapter 14A of the Listing Rules and will be fully exempt from independent Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

2. NB Cooperation Agreement

Parties: Twelve S.A.;
White S.R.L.; and
World First International

Principal terms

On 15 April 2015, World First International entered into a cooperation agreement (which was further amended and supplemented by the supplemental agreements dated 3 October 2016 and 10 September 2018, collectively referred to as “**NB Cooperation Agreement**”) with White S.R.L., the brand owner of *Neil Barrett*, and Twelve S.A., to form NB China, a company in Hong Kong, for the promotion, marketing and distribution of the ready-to-wear products and accessories of *Neil Barrett* brand in Macau and Mainland China markets.

Pursuant to the NB Cooperation Agreement, the parties agreed that NB China shall purchase *Neil Barrett* branded ready-to-wear apparels from White S.R.L., from time to time in accordance with the minimum guaranteed purchase order as agreed between the parties. The selling price, payment schedule and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis.

Pursuant to the NB Cooperation Agreement, the parties also agreed that NB China shall purchase *Neil Barrett* branded ready-to-wear apparels from Factory S.R.L.. As Factory S.R.L. is indirectly owned as to 20% by Twelve S.A., Factory S.R.L. is not an associate of Twelve S.A. and therefore not a connected person of our Company under Chapter 14A of the Listing Rules. Accordingly, the transactions between NB China and Factory S.R.L. would not constitute continuing connected transactions under the Listing Rules. For further details, please refer to the paragraph headed “Business – Suppliers – Our top five suppliers” in this prospectus.

CONNECTED TRANSACTIONS

The term of the NB Cooperation Agreement is from 15 April 2015 to Winter of 2025.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in the cases where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors are of the view that the NB Cooperation Agreement was entered into on normal commercial terms and that entering into such agreement with a duration of over three years is in line with normal business practice. Our Directors consider that the longer term of the NB Cooperation Agreement is beneficial to us because: (a) NB Cooperation Agreement grants us exclusive rights as the exclusive importer and distributor of *Neil Barrett* ready-to-wear products and accessories in Mainland China and Macau; (b) the term of the NB Cooperation Agreement is from 15 April 2015 to Winter of 2025 and shortening the distribution period would be detrimental to us; and (c) the longer term of the NB Cooperation Agreement shows increased confidence in the business relationship between the brand owner of *Neil Barrett* and our Group. Our Directors also confirm that the terms of the NB Cooperation Agreement are determined on normal commercial terms and with reference to market practice. According to F&S, it is an industry norm for brand owners or their manufacturers to enter into supply agreements with their distributors for a term longer than five years, and in view of the above, the Sole Sponsor concurs with our Directors' view that this kind of distribution agreement is reasonable and in line with normal business practice.

Reasons for the transaction

The parties entered into the NB Cooperation Agreement on 15 April 2015 with the objective of forming NB China, to maintain and promote the *Neil Barrett* ready-to-wear products and accessories in Mainland China and to start the business in Macau. Pursuant to the NB Cooperation Agreement, NB China was appointed as the exclusive importer and distributor of the products in Mainland China and Macau. Having considered the purpose of the formation of NB China and our obligations under the NB Cooperation Agreement, our Directors consider that the entering into of the NB Cooperation Agreement is crucial in order for us to operate our business and retail *Neil Barrett* brand ready-to-wear apparel through our self-operated mono-brand stores and through our sub-distributors. For further details on this arrangement, please refer to the paragraph headed "Business – Suppliers – Cooperation with Neil Barrett" in this prospectus.

Pricing policy

The purchase price for each individual purchase order shall be taken as having included (i) the quality and cost of raw materials procured by Twelve S.A. Group; (ii) manufacturing overhead, production time available and complexity in design and manufacturing; and (iii) labour cost. The purchase price for each individual purchase order shall be determined after arm's length negotiation between Twelve S.A. Group and NB China from time to time with reference to the terms and conditions of exclusive distribution agreements of this kind in normal business practice.

CONNECTED TRANSACTIONS

Historical amounts

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate purchases made by NB China from Twelve S.A. Group (which for the avoidance of doubt excludes Factory S.R.L.) amounted to approximately HK\$2,667,053, HK\$2,167,400, HK\$1,524,638 and HK\$1,823,242, respectively.

Annual caps and basis of caps

Our Directors estimate that the maximum transaction amount under the NB Cooperation Agreement (which for the avoidance of doubt excludes Factory S.R.L.) will not exceed HK\$3 million for each of the years ending 31 December 2020 and 2021, respectively. Such estimate is calculated with reference to the historical actual transaction amounts, the terms under the NB Cooperation Agreement and the sales forecast of NB China for each of the years ending 31 December 2020 and 2021.

Implications under the Listing Rules

Since White S.R.L. is an indirect wholly-owned subsidiary of Twelve S.A., White S.R.L. is an associate of Twelve S.A. and therefore a connected person of our Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) with respect to the transactions with the Twelve S.A. Group contemplated under the NB Cooperation Agreement is less than 5% and the annual consideration is less than HK\$3 million, the transactions with the Twelve S.A. Group under the NB Cooperation Agreement constitute de minimis continuing connected transactions under Chapter 14A of the Listing Rules and will be fully exempted from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Cooperation Services Framework Agreement

Parties: Sao Hang Investment (Macau); and
our Company

Principal terms

On 23 December 2019, our Company entered into a cooperation services framework agreement (the “**Cooperation Services Framework Agreement**”) with Sao Hang Investment (Macau), pursuant to which Sao Hang Investment (Macau), as service provider, agreed to provide certain retail store and management services to our Group. The services

CONNECTED TRANSACTIONS

so provided by Sao Hang Investment (Macau) for each retail store shall be effected and governed by individual service contracts to be entered into between our Group and Sao Hang Investment (Macau) in accordance with the terms of the Cooperation Services Framework Agreement, which will set out, among others, the size and location of the retail store, the term of use, the revenue rental, the management, promotion and administration fees payable.

The initial term of the Cooperation Services Framework Agreement shall commence on the Listing Date and will expire two years thereafter.

Reasons for the transaction

We have historically entered into service contracts with Sao Hang Investment (Macau) for the use of certain premises as our retail stores in Macau. Our Directors believe that maintaining retail stores at the existing premises with Sao Hang Investment (Macau) is beneficial in order for us to retail multiple brands within an outlet mall, thereby providing a seamless shopping experience for our customers.

Pricing policy

The service fees (including the rental, management, promotion and administration fees) payable under the Cooperation Services Framework Agreement was determined with reference to the historical service fees paid by our Group to Sao Hang Investment (Macau) and the prevailing market conditions and prevailing market rent of similar properties of comparable size and quality in the vicinity. Our Directors confirm that the service fees payable to Sao Hang Investment (Macau) are on normal commercial terms or better to our Group and are determined after arm's length negotiations.

Historical amounts

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the total amount of service fees (including rental, management, promotion and administration fees) paid to Sao Hang Investment (Macau) by our Group amounted to approximately HK\$27,567,757, HK\$26,349,025, HK\$23,155,859 and HK\$14,385,853, respectively.

Annual caps and basis of caps

Our Directors estimate that the maximum service fees payable (including rental, management, promotion and administration fees) under the Cooperation Services Framework Agreement will not exceed HK\$27.0 million and HK\$28.0 million for each of the years ending 31 December 2020 and 2021, respectively. Such estimate is based on (i) the historical service fees; (ii) the historical Macau Inflation Rate; and (iii) the prevailing market rent of comparable properties in the vicinity at the relevant times.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios (other than the profits ratio) with respect to the transactions contemplated under the Cooperation Services Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Cooperation Services Framework Agreement will be subject to the reporting, annual review and announcement requirements but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Renovation Agreements

(A) SJ Synergy Engineering Framework Agreement

Parties: SJ Synergy Engineering; and
our Company

Principal terms

On 23 December 2019, our Company entered into a provision of fitting-out services framework agreement (the “**SJ Synergy Engineering Framework Agreement**”) with SJ Synergy Engineering, pursuant to which our Group agreed to engage SJ Synergy Engineering for the provision of fitting-out services as a subcontractor for our retail stores in Macau. Each of the fitting-out services so provided shall be effected and governed by individual subcontracting contracts to be entered into between our Group and SJ Synergy Engineering in accordance with the terms of the SJ Synergy Engineering Framework Agreement, which will set out, among others, the scope of work, contract period, subcontracting fees, payment terms and defect liability period.

The initial term of the SJ Synergy Engineering Framework Agreement shall commence on the Listing Date and will expire two years thereafter.

Reasons for the transaction

We have established good and long standing relationship with SJ Synergy Engineering and have engaged them to provide fitting-out services for our retail stores in Macau during the Track Record Period. Taking into account that (i) the fitting-out works carried out by SJ Synergy Engineering were delivered timely and have been of satisfactory quality; (ii) SJ Synergy Engineering is familiar with our Group's specifications, standards and requirements for the renovation of our retail stores; and (iii) the subcontracting fees of SJ Synergy Engineering were offered at comparable market prices, our Directors considered that the entering into of the SJ Synergy

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Engineering Framework Agreement would allow our Group to maintain the stability in quality and standard of the fitting-out works carried out for our retail stores in the future.

Pricing policy

The subcontracting fees for the services to be provided by SJ Synergy Engineering under the SJ Synergy Engineering Framework Agreement were determined with reference to the price at which comparable types of the services were provided by independent subcontractors to our Group under normal commercial terms in the ordinary course of its business and such price shall be no less favourable to our Group than is available from independent subcontractors. In considering whether to procure the services from SJ Synergy Engineering, our Group will seek quotations from certain independent subcontractors. Our Group will engage SJ Synergy Engineering for the fitting-out works if the price and quality of the services offered are comparable to or more favourable to our Group than those offered by independent subcontractors.

Historical amounts

During the Track Record Period, each of Ieng Leong and Macau Ieng Nam has engaged SJ Synergy Engineering for the provision of fitting-out services as a subcontractor for our retail stores in Macau. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate amount of subcontracting fees paid to SJ Synergy Engineering by our Group in relation to the provision of fitting-out services in Macau amounted to approximately HK\$43,266,747, HK\$71,419,100, HK\$39,592,077 and HK\$16,752,435, respectively. The substantial increase in subcontracting fees for FY2017 was due of the construction for a major project involving the opening of several retail stores in MGM Cotai.

Our Directors consider that the transactions were arrived at after arm's length negotiation and that the terms of the transactions were fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Annual caps and basis of caps

Our Directors estimate that the maximum transaction amount under the SJ Synergy Engineering Framework Agreement will not exceed HK\$37.0 million and HK\$36.0 million for each of the years ending 31 December 2020 and 2021, respectively. Such estimate is based on (a) our demand for the fitting-out services provided by SJ Synergy Engineering in view of our future plans for opening new retail stores in Macau; (b) the historical subcontracting amounts; and (c) the historical Macau Inflation Rate.

(B) SJ Synergy Holdings Framework Agreement

Parties: SJ Synergy Holdings; and
our Company

Principal terms

On 23 December 2019, our Company entered into a provision of fitting-out services framework agreement (the “**SJ Synergy Holdings Framework Agreement**”) with SJ Synergy Holdings, pursuant to which our Group agreed to engage SJ Synergy Holdings for the provision of fitting-out services as a subcontractor for our retail stores in Hong Kong. Each of the fitting-out services so provided shall be effected and governed by individual subcontracting contracts to be entered into between our Group and SJ Synergy Holdings in accordance with the terms of the SJ Synergy Holdings Framework Agreement, which will set out, among others, the scope of work, contract period, subcontracting fees, payment terms and defect liability period.

The initial term of the SJ Synergy Holdings Framework Agreement shall commence on the Listing Date and will expire two years thereafter.

Reasons for the transaction

We have established good and long standing relationship with SJ Synergy Holdings and have engaged them to provide fitting-out services for our retail stores in Hong Kong during the Track Record Period. Taking into account that (i) the fitting-out works carried out by SJ Synergy Holdings were delivered timely and have been of satisfactory quality; (ii) SJ Synergy Holdings is familiar with our Group’s specifications, standards and requirements for the renovation of our retail stores; and (iii) the subcontracting fees of SJ Synergy Holdings were offered at comparable market prices, our Directors considered that the entering into of the SJ Synergy Holdings Framework Agreement would allow our Group to maintain the stability in quality and standard of the fitting-out works carried out for our retail stores in the future.

Pricing policy

The subcontracting fees for the services to be provided by SJ Synergy Holdings under the SJ Synergy Holdings Framework Agreement were determined with reference to the price at which comparable types of the services were provided by independent subcontractors to our Group under normal commercial terms in the ordinary course of its business and such price shall be no less favourable to our Group than is available from independent subcontractors. In considering whether to procure the services from SJ Synergy Holdings, our Group will seek quotations from certain independent subcontractors. Our Group will engage SJ Synergy Holdings for the fitting-out works

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if the price and quality of the services offered are comparable to or more favourable to our Group than those offered by independent subcontractors.

Historical amounts

During the Track Record Period, Wide Spread has engaged SJ Synergy Holdings for the provision of fitting-out services as a subcontractor for our retail stores in Hong Kong. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the amount of subcontracting fees paid to SJ Synergy Holdings by our Group in relation to the provision of fitting-out services in Hong Kong amounted to approximately nil, HK\$2,567,974, HK\$1,735,679 and HK\$680,373, respectively.

Our Directors consider that the transactions were arrived at after arm's length negotiation and that the terms of the transactions were fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Annual caps and basis of caps

Our Directors estimate that the maximum transaction amount under the SJ Synergy Holdings Framework Agreement will not exceed HK\$1.3 million and HK\$2.6 million for each of the years ending 31 December 2020 and 2021, respectively. Such estimate is based on (a) our demand for the fitting-out services provided by SJ Synergy Holdings in view of our future plans for opening new retail stores in Hong Kong; (b) the historical subcontracting fees; and (c) the historical Hong Kong Inflation Rate.

Implications under the Listing Rules

SJ Synergy Holdings is owned as to 100% by Mr. Fan Rongxiong, the brother of Mr. Fan. SJ Synergy Engineering is owned as to 96% by Mr. Fan Rongxiong and 4% by Ms. Zhang Xiaoming, the spouse of Mr. Fan Rongxiong. By virtue of Mr. Fan Rongxiong holding over 30% interest in both SJ Synergy Holdings and SJ Synergy Engineering, both SJ Synergy Holdings and SJ Synergy Engineering are therefore associates of Mr. Fan and a connected person of our Company under Chapter 14A of the Listing Rules.

Since the transactions contemplated under the SJ Synergy Holdings Framework Agreement and SJ Synergy Engineering Framework Agreement (together, the “**Renovation Agreements**”) are similar in nature, the transactions contemplated under the Renovation Agreements should be aggregated pursuant to the Listing Rules. Since each of the percentage ratios (other than the profits ratio) with respect to the transactions contemplated under the Renovation Agreements in aggregate is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Renovation Agreements will be subject to the reporting, annual review and

CONNECTED TRANSACTIONS

announcement requirements but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF OUR DIRECTORS

Our Directors (including independent non-executive Directors) consider that the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better and are fair and reasonable and in the interest of our Company and our Shareholders as a whole. The proposed annual caps in respect of the continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION OF THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better and are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the Cooperation Services Framework Agreement, SJ Synergy Engineering Framework Agreement and SJ Synergy Holdings Framework Agreement constitute our continuing connected transactions under the Listing Rules, which are exempt from the circular and independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed under the Cooperation Services Framework Agreement, SJ Synergy Engineering Framework Agreement and SJ Synergy Holdings Framework Agreement, subject to the conditions that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). We will fully comply with the requirements under Chapter 14A of the Listing Rules (other than those exempted) for transactions conducted. After the expiration of the waiver on 31 December 2021, we will comply with the then applicable Listing Rules for the non-exempt continuing connected transactions.

ONE-OFF TRANSACTIONS

The following transactions have been entered into by our Group during the Track Record Period which constitute one-off transactions prior to the Listing.

CONNECTED TRANSACTIONS

Tenancy Agreements

(A) Office Tenancy Agreement

Shenzhen Shouwei, as lessee, entered into a tenancy agreement (the “**Office Tenancy Agreement**”) with Mr. Fan and Ms. Cheng King Ling (“**Ms. Cheng**”), as lessors, under which we agreed to lease the premises situated at Units 1701, 1702 and 1710, New World Commercial Center, 6009 Yitian Road, Futian District, Shenzhen* 深圳市福田区益田路6009號新世界商務中心1701、1702及1710單元 (the “**Office Premises**”), with a total gross floor area of approximately 636.5 sq.m. as our office in Shenzhen, for a term of five years commencing from 1 February 2019 to 31 January 2024.

Our Directors confirmed that the monthly fixed rent of RMB159,130 was determined after arm’s length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar properties in the vicinity. In this connection, we have engaged D&P China (HK) Limited, an independent property valuer, to assess the fairness of the rent and the terms of the Office Tenancy Agreement. D&P China (HK) Limited is of the opinion that the terms of the Office Tenancy Agreement (including rental and duration) are fair and reasonable and the rents payable thereunder reflect the prevailing market rate as at the date of commencement of the Office Tenancy Agreement.

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate amounts paid by Shenzhen Shouwei to Mr. Fan and Ms. Cheng for the rental of the Office Premises amounted to approximately HK\$1,730,281, HK\$1,677,998, HK\$1,725,136 and HK\$1,190,952, respectively.

(B) Warehouse Tenancy Agreement

Shenzhen Shouwei, as lessee, entered into a tenancy agreement (which was further amended by two supplemental agreements) (the “**Warehouse Tenancy Agreement**”) with Ms. Cheng, as lessor, under which we agreed to lease the premises situated at 24G, Guomao Commercial Building, Nanhu Road, Luohu District, Shenzhen* 深圳市羅湖區南湖路國貿商住大廈24G (the “**Warehouse Premises**”), with a total gross floor area of approximately 101.17 sq.m. as our warehouse in Shenzhen, for a term of five years commencing from 1 March 2015 to 28 February 2020.

Our Directors confirmed that the current monthly fixed rent of RMB12,140 was determined after arm’s length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar properties in the vicinity. In this connection, we have engaged D&P China (HK) Limited, an independent property valuer, to assess the fairness of the rent (taking into account that the historical increase in monthly rental) and the terms of the Warehouse Tenancy Agreement. D&P China (HK) Limited is of the opinion that the terms of the Warehouse Tenancy Agreement (including rental and duration) are fair and reasonable and the rents payable thereunder reflect the prevailing market rate as at the date of commencement of the Warehouse Tenancy Agreement.

CONNECTED TRANSACTIONS

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the aggregate amounts paid by Shenzhen Shouwei to Ms. Cheng for the rental of the Warehouse Premises amounted to approximately HK\$84,224, HK\$83,040, HK\$85,373 and HK\$75,671, respectively.

Implications under the Listing Rules

Mr. Fan is our executive Director and our Controlling Shareholder, and Ms. Cheng is the spouse of Mr. Fan. As such, each of Mr. Fan and Ms. Cheng is a connected person of our Company under Chapter 14A of the Listing Rules.

IFRS 16 “Leases” which is mandatory for the financial year beginning 1 January 2019 is consistently applied to the Group throughout the Track Record Period. In accordance with IFRS 16 “Leases”, our Group has recognised the value of the right-of-use assets on its balance sheet in connection with the transactions contemplated under the Office Tenancy Agreement and the Warehouse Tenancy Agreement (together, the “**Tenancy Agreements**”), as such, the transactions contemplated thereunder would be regarded as acquisitions for the purposes of the Listing Rules.

The transactions contemplated under the Tenancy Agreements are one-off transactions entered into by Shenzhen Shouwei prior to Listing. Such transaction will not, following the Listing, constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof if we enter into any other connected transaction in relation thereto after the Listing.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue:

Authorised share capital:		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
Shares issued and to be issued, fully paid or credited as fully paid:		<i>HK\$</i>
600	Shares in issue as at the date of this prospectus	6
100,000,000	Shares to be issued under the Global Offering	1,000,000
<u>299,999,400</u>	Shares to be issued under the Capitalisation Issue	<u>2,999,994</u>
<u>400,000,000</u>	Shares in total	<u>4,000,000</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering and Capitalisation Issue are made. It does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (b) any Shares which may be issued pursuant to exercise of any option that may be granted under the Share Option Scheme; and (c) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

If the Over-allotment Option is exercised in full, then 15,000,000 additional Shares will be allotted and issued, resulting in a total enlarged issued share capital of HK\$4,150,000 divided into 415,000,000 Shares.

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date other than entitlement to the Capitalisation Issue.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued share capital of our Company in the hands of the public.

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 17 December 2019, subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to allot and issue a total of 299,999,400 Shares, credited as fully paid, at par to the holder of Shares on the register of members of our Company in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$2,999,994 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) with an aggregate nominal value not exceeding:

- (a) 20% of the aggregate nominal value of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of Shares repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolutions of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

SHARE CAPITAL

- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 5. Resolutions in writing of our sole Shareholder passed on 17 December 2019” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares with an aggregate nominal value of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, please refer to the paragraph headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held as at the date of submission of application for the Listing	Percentage of interests in our Company as at the date of submission of application for the Listing	Number of Shares held immediately after completion of the Global Offering and the Capitalisation Issue ^(Note 1)	Percentage of interests in our Company immediately after completion of the Global Offering and the Capitalisation Issue
Gold Star ^(Note 2)	Beneficial owner	600	100%	300,000,000 (L)	75%
Mr. Fan ^(Note 2)	Interest in a controlled corporation	600	100%	300,000,000 (L)	75%
Ms. Cheng King Ling ^(Note 3)	Interest of spouse	600	100%	300,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position in our Shares.
- (2) Gold Star is wholly owned by Mr. Fan. Therefore, Mr. Fan is deemed to be interested in all the Shares held by Gold Star under the SFO.
- (3) Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

Save as disclosed in this section, our Directors are not aware of any person who will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in “Appendix I – Accountant’s Report” to this prospectus, together with the accompanying notes.

Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The publicly available financial information of our Group may not be directly comparable to the financial information contained in this prospectus. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed “Risk Factors” and “Business” in this prospectus.

OVERVIEW

We principally engage in the retail of fashion apparel of international brands including established designer label brands, popular global brands and up-and-coming brands and our proprietary brands through our multi-brand and multi-store business model in the Greater China. As at the Latest Practicable Date, we operated 215 retail stores in Mainland China, Macau, Hong Kong and Taiwan, of which, our retail stores in Macau accounted for approximately 51.6%, 51.5%, 55.4% and 54.3% of our revenue for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019. According to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. As at the Latest Practicable Date, our brand portfolio had 113 brands, including 110 international brands and three our own brands. We opened mono-brand stores in Greater China for the international brands such as *BLACKBARRETT*, *CK CALVIN KLEIN*, *Calvin Klein Jeans*, *Calvin Klein Performance*, *Calvin Klein Underwear*, *Tommy Hilfiger*, *Moschino*, *Hogan*, *Philipp Plein*, *EA7*, and *Under Armour* etc. Our own brands include *UM*, *UM•IXOX* and *IXOX*. As fashion apparel of international brands are sensitive to fast changing consumer preference, we continuously seek to expand our brand portfolio by adding new stylish and chic international fashion apparel and lifestyle brands that appeal to the taste of our target customers and removing the brands which are not well-received by our target customers.

We sell our fashion apparel and other lifestyle merchandise predominantly through our diverse self-operated retail stores which accounted for approximately 95.2%, 94.5%, 95.0% and 93.3% of our revenue during the Track Record Period. Of the 215 retail stores operated by us at the Latest Practicable Date, 182 retail stores are mono-brand stores which are operated under the brand name of the merchandise to cater to a specific demographic; and 33 retail stores are multi-brand stores which offer a broad assortment of stylish and chic fashion apparel and other lifestyle merchandise of different brands to attract a wider customer base. Most of our retail stores are strategically located in high-end shopping malls, department stores or free-standing premises in prime locations to attract our target customers and maintain the premium image of the brands. To leverage our retail network and our diversified brand portfolio to help increase the foot traffic and maintain the image of their shopping malls, the landlords of these high-end

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shopping malls are generally willing to treat us as their anchor tenant. We also generate a lesser portion of our revenue from wholesaling *Neil Barrett* brand ready-to-wear apparel to our two sub-distributors in Mainland China; providing store management services to the owners of international brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Tommy Hilfiger* and *Roberto Cavalli* for their retail stores in Macau and receive commission from them based on the performance of the retail stores; and selling *CK CALVIN KLEIN* branded products in Mainland China on consignment basis since 2019 as an interim arrangement agreed with the master licensor of *CK CALVIN KLEIN* branded products before the master licensor has fully taken over the operation of the retail stores in Mainland China.

We set out herein below a breakdown of our revenue generated from different sales channels for the years and periods indicated:

	FY2016		FY2017		FY2018		For the seven months ended 31 July			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	2018	%	2019	%
Sales channels										
Retail (Note 1)	904,360	95.2	1,008,323	94.5	1,278,616	95.0	720,521	95.3	832,268	93.3
Managed stores (Note 2)	32,490	3.4	32,396	3.0	29,256	2.2	17,683	2.3	20,078	2.3
Consignment (Note 3)	–	–	–	–	–	–	–	–	28,493	3.2
Wholesale	13,298	1.4	25,911	2.5	36,993	2.8	18,166	2.4	11,032	1.2
Total	950,148	100.0	1,066,630	100.0	1,344,865	100.0	756,370	100.0	891,871	100.0

Notes:

1. The retail includes revenue generated from sales throughout self-operated stores and online sales.
2. The revenue includes services fees paid to us for our store management services for the retail stores of *Calvin Klein Performance*, *Calvin Klein Jeans* and *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* in Macau.
3. The revenue includes revenue generated from the sales of *CK CALVIN KLEIN* products in Mainland China pursuant to a consignment arrangement in 2019 between its master licensor and us on a temporary basis, which was ceased after the Track Record Period and as at the Latest Practicable Date.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations, financial position and cash flow include the following:

Economic growth, social condition and consumer spending in Greater China

We operated in Mainland China, Macau, Hong Kong and Taiwan and derived substantially the majority of our revenue in Macau during the Track Record Period. We expect that we will continue to focus our business in the retail of fashion apparel of international brands in Greater China. Macau is our largest revenue source and the economy of Macau largely depends on the

FINANCIAL INFORMATION

tourism. The increase in number of visitors especially from Mainland China, total spending of visitors and average spending of individual visitor will drive the growth of revenue. Accordingly, any economic downturn of Mainland China will have significant impact on the performance of our fashion retail business in Macau. The economy of Mainland China has different features from economics of most developed countries including government policies and controls and foreign exchange controls. Economic growth in Mainland China drives the increase in per capital disposable income and consumer spending, which in turn impacts on market demand of our fashion apparel products and our results of operations. According to the F&S Report, disposable income per capita for residents of Mainland China increased at a CAGR of approximately 10% from the year 2013 to 2018. According to the F&S Report, the sales values of mid-end and high-end apparel markets increased from approximately HK\$794.4 billion in 2013 to HK\$1,199.4 billion in 2018, with at a CAGR of 8.6%, driven by the increasing consumer spending power, a more diversified environment of various apparel brands and rapid development of online shopping.

We expect that our results will be affected if Greater China experiences any adverse economic, political or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks, continuous social unrest, terrorist attacks, or if the government in Mainland China, Macau, Hong Kong or Taiwan adopts regulations that place restrictions or burdens on us or on our industry in general, our business, financial condition. In addition, we do not have business presence in overseas jurisdictions, and may have difficulties in relocating our entire business operations to other geographic markets if there is any material deterioration in the economic, political and regulatory environment in Greater China.

Our brand portfolio and merchandise

Our results of operation will be affected by our brand portfolio which comprised established designer label brands, popular global brands and up-and-coming brands and our proprietary brands of mid-to-high end apparel and other products such as footwear, cosmetic and skincare products and lifestyle products. If our brands lose popularity or not well received by our customers, our result of operation would be adversely affected. Furthermore, international brands are sensitive to fast changing consumer preference. Hence, we have to keep ourselves abreast of the latest fashion trend and updating our brand portfolio by adding in new brands which appeal to our customers and removing the brands which are less popular among our target customers. Our brand portfolio had 58, 54, 60 and 115 brands for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019. The brands for which we had opened mono-brand stores increased from 20 as at 31 December 2016 to 23, 28 and 31 as at 31 December 2017 and 2018 and 31 July 2019, respectively. Our Directors believe that the proven capability of being a high-end fashion apparel retailer in Greater China can attract renowned brand owners to engage our Group to retail their fashion apparel in the region. With more brands to which we have the distribution right, we can increase the number of retail stores and generate more revenue and profit thereof.

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The table below sets forth the changes in the number of brands to which we have the distribution right in our retail stores during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	Seven months ended 31 July 2019	Subsequent to the seven months ended 31 July 2019 to Latest Practicable Date
Number of brands offered in mono-brand stores					
At the beginning of the year/period	25	20	23	28	31
Addition during the year/period	2	4	5	3	1
Ceased during the year/period (Note 1)	(7)	(1)	–	–	(3)
At the year/period end	<u>20</u>	<u>23</u>	<u>28</u>	<u>31</u>	<u>29</u>
Number of brands offered in multi-brand stores					
(Note 2)					
At the beginning of the year/period	53	38	31	32	84
Addition during the year/period	10	6	5	52	13
Ceased during the year/period (Note 3)	(25)	(13)	(4)	–	(13)
At the year/period end	<u>38</u>	<u>31</u>	<u>32</u>	<u>84</u>	<u>84</u>
Total	<u>58</u>	<u>54</u>	<u>60</u>	<u>115</u>	<u>113</u>

Notes:

- During FY2016 and FY2017, we ceased to purchase from suppliers of seven brands and one brand respectively due to unsatisfactory performance of the stores selling these brands.
- If a brand's apparel is offered for sale in both mono-brand stores and multi-brand stores, for the purpose of this prospectus, it will be counted in the mono-brand stores only. Hence, the number of brands with products sold in multi-brand stores excludes those brands already included in the mono-brand stores. The numbers of brands offered in multi-brand stores include proprietary brands, *UM*, *UM•IXOX* and *IXOX*.

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3. During the Track Record Period, we streamlined the portfolio of brands we sold through our multi-brand stores to reduce the inventory turnover days by introducing a total of 87 new brands that are well-received by customers and ceased to purchase products of a total of 50 brands which were less popular.

Growth of our retail network

Our revenue and profit growth will depend on our capability to expand and manage our retail network. Our revenue was mostly generated from sales of fashion apparel through our retail stores. We generated 95.2%, 94.5%, 95.0% 95.3% and 93.3% of our revenue from sales through our retail stores for FY2016, FY2017, FY2018 and seven months ended 31 July 2018 and 2019, respectively. Retail sales are directly affected by, among others, their locations, the sales floor area and the number of our retail stores in operation.

We adopted a flexible and practical approach in the expansion of our retail stores. During the Track Record Period, the number of our retail stores changed from 188 as at 31 December 2016 to 184 and 221 as at 31 December 2017 and 31 December 2018 respectively. The number of retail stores then gradually increased to 225 as at 31 July 2019. The approximate average sales floor area of our retail stores was approximately 26,026 sq.m., 26,547 sq.m., 30,146 sq.m. and 34,343 sq.m. for FY2016, FY2017, FY2018 and the seven month ended 31 July 2019. The sales floor area was approximately 33,810 sq.m. as at the Latest Practicable Date. As at Latest Practicable Date, we had a total of 215 retail stores covering different provinces in Mainland China, Macau, Hong Kong and Taiwan. According to the F&S Report, we ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. As such, retail store opening and closing and the sales floor space retained for operation affect our revenue growth significantly.

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The table below sets forth the changes in the number of our retail stores, excluding those (i) managed stores, i.e. stores to which we provide store managed services, (ii) temporary shops, (iii) short term stores that were in operation for three months or less, (iv) pop-up stalls and (v) our online store, commenced and terminated and the approximate sales floor area in terms of sq.m. during the Track Record Period by regions and up to Latest Practicable Date:

	FY2016		FY2017		FY2018		Seven months ended 31 July 2019		Subsequent to the Track Record Period and up to the Latest Practicable Date	
	Approximate sales floor area (approximately No of store sq.m.)		Approximate sales floor area (approximately No of store sq.m.)		Approximate sales floor area (approximately No of store sq.m.)		Approximate sales floor area (approximately No of store sq.m.)		Approximate sales floor area (approximately No of store sq.m.)	
At the beginning of the year/period										
Macau	53	6,680	55	7,874	54	8,118	62	9,434	65	10,759
Mainland China	136	19,066	131	18,346	127	18,105	153	22,641	150	22,549
Hong Kong & Taiwan (Note 1)	2	11	2	74	3	577	6	1,416	10	1,886
	191	25,757	188	26,294	184	26,800	221	33,491	225	35,194
Addition during the year/period										
Macau	16	1,984	8	1,199	17	2,313	6	1,435	11	1,553
Mainland China	18	2,572	32	4,974	46	7,311	11	2,130	6	845
Hong Kong & Taiwan (Note 1)	1	67	1	503	3	839	4	470	-	-
	35	4,623	41	6,676	66	10,463	21	4,035	17	2,398
Closed during the year/period (Note 2)										
Macau	(14)	(790)	(9)	(955)	(9)	(997)	(3)	(110)	(12)	(2,022)
Mainland China	(23)	(3,292)	(36)	(5,215)	(20)	(2,775)	(14)	(2,222)	(13)	(1,674)
Hong Kong & Taiwan (Note 1)	(1)	(4)	-	-	-	-	(-)	(-)	(2)	(86)
	(38)	(4,086)	(45)	(6,170)	(29)	(3,772)	(17)	(2,332)	(27)	(3,782)
At the year/period end										
Macau	55	7,874	54	8,118	62	9,434	65	10,759	64	10,290
Mainland China	131	18,346	127	18,105	153	22,641	150	22,549	143	21,720
Hong Kong & Taiwan (Note 1)	2	74	3	577	6	1,416	10	1,886	8	1,800
	188	26,294	184	26,800	221	33,491	225	35,194	215	33,810
Average sales floor area (Note 3)										
Macau		7,277		7,996		8,776		10,097		10,525
Mainland China		18,706		18,226		20,373		22,595		22,135
Hong Kong & Taiwan		43		326		997		1,651		1,843
Overall		26,026		26,547		30,146		34,343		34,502

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Notes:

1. Hong Kong and Taiwan include three retail stores opened in Taiwan recently in the seven months ended 31 July 2019.
2. The retail stores were closed mainly due to (i) the retail stores' underperformance in the relevant location; (ii) expiration or early termination of the distribution agreements; or (iii) change in business plan of the relevant brand owner or our Group, or change of location of the retail stores.
3. The average sales floor area is the average of opening and closing sales floor area of the respectively year/period.

We review on monthly basis the profitability and economic efficiency of each retail store in terms of revenue per square feet to assess its substantiality; and plan the strategy to improve those stores with lower performance and close those under-performed stores with lease expired in the coming year. Our Directors believe that the closing of these stores that are not up to our management's satisfaction and opening of stores at suitable locations matching with the brands we manage is one of the key success factors of our Group.

We closed 38 retail stores, 45 retail stores, 29 retail stores and 17 retail stores during FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively and opened 35, 41, 66 and 21 new retail stores during the corresponding period. The stores were closed mainly due to unsatisfactory performance upon the expiry of tenancy period. We monitor the performance of each store regularly and evaluate financial performance before the expiry of the tenancy period to determine whether we terminate the tenancy or renew the tenancy agreement of the relevant retail stores.

Among the 163 retail stores we opened during the Track Record Period, 100 retail stores achieved the Breakeven Point within the Typical Period For Reaching Breakeven Point. Please refer to the section headed "Business – Our Retail Stores – Breakeven Period and Investment Payback Period analysis" in this prospectus.

As at the Latest Practicable Date, there were 215 retail stores in operation, of which 143 stores, 64 stores, six stores and two stores were located in Mainland China, Macau, Hong Kong and Taiwan respectively.

We planned to expand our retail network by opening 51 new retail stores from the Listing Date to 31 December 2021. Please refer to the section headed "Future plans and use of Proceeds" to this prospectus for further information.

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Same store sales performance

Other than increasing the number of retail stores, the other growth engine of our revenue is the same store sales growth by effectively utilising the advantages of our existing retail stores (excluding the managed stores) to generate more revenue. We implement effective retail sales techniques to cater for the needs of individual customer through analysis of preference of different target customer groups and incentive program for the sales team to promote and stimulate more spending from customers. The growth rate of the same retail store, which has been in operation throughout the relevant years without material interruption, calculates the growth rate of the revenue generated by the same retail store in the accounting year as compared to the revenue generated in the preceding accounting year. The same store sales depict effectiveness of the management of individual retail stores in generating revenue growth from the same retail store operated in the year under review comparing with that of the preceding year.

The table below sets forth the number of same stores and our revenue of same stores by geographic areas over the period indicated:

	FY2016 & FY2017	FY2017 & FY2018
Number of Same Stores		
Mainland China	81	79
Macau	33	37
Hong Kong	1	2
	<u>115</u>	<u>118</u>
Total number of same stores	<u>115</u>	<u>118</u>

Same store sales by geographic areas

	FY2016 HK\$'000	FY2017 HK\$'000	Same store growth rate %	FY2017 HK\$'000	FY2018 HK\$'000	Same store growth rate %
Mainland China	250,433	274,042	9.4	305,295	322,982	5.8
Macau	394,967	418,830	6.0	446,180	449,186	0.7
Hong Kong	2,588	2,789	7.8	20,136	21,214	5.4
	<u>647,988</u>	<u>695,661</u>		<u>771,611</u>	<u>793,382</u>	
Total revenue/ overall rate	<u>647,988</u>	<u>695,661</u>	7.4	<u>771,611</u>	<u>793,382</u>	2.8

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Same store sales by major brands

			No. of	Approximate same store growth rate			No. of	Approximate same store growth rate
	FY2016	FY2017	stores	%	FY2017	FY2018	stores	%
	HK\$'000	HK\$'000			HK\$'000	HK\$'000		
CK CALVIN KLEIN	101,932	97,715	6	(4.1)	89,048	75,798	5	(14.9)
Calvin Klein Jeans	69,055	79,325	18	14.9	84,888	87,927	19	3.6
Calvin Klein Underwear	25,862	30,065	14	16.3	32,685	34,747	14	6.3
Ed Hardy	93,455	97,549	5	4.4	123,055	119,038	6	(3.3)
Brand A ^(note 1)	51,171	50,894	19	(0.5)	37,159	34,834	13	(6.3)
Hogan	17,393	18,098	2	4.1	18,098	24,407	2	34.9
Moschino	68,014	76,273	4	12.1	73,284	67,546	4	(7.8)
Neil Barrett	41,587	41,870	5	0.7	91,936	99,384	9	8.1
Tommy Hilfiger	40,040	49,391	10	23.4	53,206	66,594	11	25.2
UM ^(note 2)	74,280	80,508	13	8.4	78,930	81,623	13	3.4
Others ^(note 3)	65,199	73,973	19	13.5	89,322	101,484	22	13.6
Total Revenue	647,988	695,661	115	7.4	771,611	793,382	118	2.8

Notes:

- Brand A is an international brand with a relaxed style originated in the U.S. supplied by Supplier A.
- UM is the brand name of our multi-brand store whose apparel is mainly high-quality casual clothing and thus, the revenue thereof was generated from the sale of apparel from an assortment of brands.
- Others included brands of mono-brand stores brand and brands of multi-brand stores which individually did not exceed 3% of the total revenue of same store sales during the periods indicated above.

Our same store sales growth rate is affected by numerous factors such as popularity of the brand and the design of apparel products, economic performance of the region, the number of visitors and average spending of the visitors.

We experienced a continuous growth trend in same store sales during the period from FY2016 to FY2018. The same store sales recorded a growth rate of approximately 7.4% between FY2016 and FY2017 and 2.8% between FY2017 and FY2018. The growth rate of 7.4% between FY2016 and FY2017 was fueled mainly by the increase in revenue generated from same stores located at both Mainland China and Macau of approximately 9.4% and 6.0%, respectively. The same store sales of stores located in Mainland China recorded a growth rate of approximately 9.4% between FY2016 and FY2017 which was mainly benefited from the increase in disposable income per capita in Mainland China in FY2017. Among such increase in revenue of the same stores in Mainland China, our *Calvin Klein Jeans*, *Tommy Hilfiger* and *Calvin Klein Underwear* mono-brand stores contributed to the increase of approximately HK\$10.3 million, HK\$9.4

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million and HK\$4.2million, respectively. The growth in the same stores in Macau was mainly benefited from the increase in number of visitors and average spending of visitors in Macau. Among such increase in revenue from same stores in Macau, *Moschino* and *Ed Hardy* contributed the increase of approximately HK\$8.3 million and HK\$4.1 million, respectively.

The same store sales recorded a lower growth rate of approximately 2.8% between FY2017 and FY2018 mainly resulting from the lower of growth rate of approximately 0.7% in Macau where the average spending of visitors recorded a declining growth rate in the FY2018 comparing with FY2017. The low growth rate of same store sales in Macau between FY2017 and FY2018 was mainly contributed by a negative growth recorded by sales of certain brands as a result of change in customer preference. Such negative growth offset the growth recorded by sales of products of *Hogan* and *Neil Barrett* of approximately HK\$6.3 million and HK\$7.4 million respectively between FY2017 and FY2018. Benefiting from the steady growth of disposable income per capita in Mainland China in FY2018, the same stores in Mainland China between FY2017 and FY2018 recorded a growth rate of approximately 5.8% among which our *Tommy Hilfiger*, *Calvin Klein Jeans* and *Calvin Klein Underwear* stores contributed an increase of approximately HK\$13.4 million, HK\$3.0 million and HK\$2.1 million respectively.

Same store sales by year of opening

The table below sets forth the same stores sales by year of opening for the period indicated.

	No. of stores	FY2016 HK\$'000	FY2017 HK\$'000	Same store growth rate %	No. of stores	FY2017 HK\$'000	FY2018 HK\$'000	Same store growth rate %
Stores opened in and before 2013	54	327,313	338,177	3.3	44	301,436	287,751	(4.5)
Stores opened in 2014	26	134,839	156,334	15.9	26	156,334	169,708	8.6
Stores opened in 2015	34	182,240	197,985	8.6	25	166,709	182,525	9.5
Stores opened in 2016	1	3,596	3,165	(12.0)	23	147,132	153,398	4.3
Total revenue/ overall rate	115	647,988	695,661	7.4	118	771,611	793,382	2.8

As illustrated above, the same stores generally generated highest same store growth during their third year of operation. For instance the same stores opened in 2014 recorded a growth rate of approximately 15.9% between FY2016 and FY2017 and the same stores opened in 2015 recorded a growth rate of approximately 9.5% between FY2017 and FY2018.

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Average spending per transaction

Average spending per transaction has significant impact on our sales strategy and results of operation. Average spending per transaction represents our revenue generated from our retail stores (excluding the managed stores) divided by the number of transactions during the relevant period. The average spending per transaction is affected by, among other things, macroeconomic factors, our pricing and product mix, change in consumers' preference and spending patterns and lifestyle trends of the public.

The table below sets forth the average spending per transactions of our retail shops in different regions by year of opening for the years or period indicated.

Macau

	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	Seven months ended 31 July 2019
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Stores opened in and before 2013	3,843	3,946	3,780	3,642	3,799
Stores opened in 2014	4,852	5,223	5,513	5,240	5,560
Stores opened in 2015	3,053	3,116	3,373	3,269	3,123
Stores opened in 2016	3,975	4,830	5,182	4,879	5,830
Stores opened in 2017	–	3,723	2,696	2,607	2,503
Stores opened in 2018	–	–	2,392	2,318	1,627
Stores opened in 2019	–	–	–	–	3,189
Overall	3,781	3,989	3,412	3,318	2,604

Mainland China

	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	Seven months ended 31 July 2019
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Stores opened in and before 2013	1,112	1,160	1,315	1,266	1,380
Stores opened in 2014	1,383	1,524	1,510	1,486	1,480
Stores opened in 2015	2,260	2,166	2,213	2,244	1,914
Stores opened in 2016	2,415	2,366	2,389	2,277	2,217
Stores opened in 2017	–	1,300	1,458	1,441	1,432
Stores opened in 2018	–	–	1,513	1,079	1,332
Stores opened in 2019	–	–	–	–	1,117 [#]
Overall	1,342	1,438	1,472	1,481	1,499

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The average spending per transaction excluded the revenue of approximately HK\$3.6 million generated from sales of *CK CALVIN KLEIN* branded products for Club 21 Group on retail basis during the seven months ended 31 July 2019 under an interim arrangement of operating 19 temporary retail stores.

Hong Kong and Taiwan*

	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	Seven months ended 31 July 2019
	HKD	HKD	HKD	HKD	HKD
Stores opened in and before 2013	2,604	–	–	–	–
Stores opened in 2014	–	–	–	–	–
Stores opened in 2015	2,394	3,180	3,485	3,247	3,462
Stores opened in 2016	4,614	4,807	5,113	4,702	5,674
Stores opened in 2017	–	769	821	806	737
Stores opened in 2018	–	–	806	746	763
Stores opened in 2019	–	–	–	–	2,577
Overall	2,529	1,434	1,101	1,192	1,009

* Our retail stores in Taiwan were only opened in the seven months ended 31 July 2019.

The average spending per transaction in our retail stores in Macau increased from approximately HK\$3,781 for FY2016 to HK\$3,989 for FY2017, representing of approximately 5.5% increase which was primarily benefited from the increasing growth rate of number of tourists visiting Macau and average spending per visitor in the year 2017. The average spending per transaction for FY2018 decreased by approximately 14.5% comparing with FY2017 which was primarily due to the decrease in average selling price of products of one of the top five brands of mono-brand stores. The average spending per transaction for seven months ended 31 July 2019 recorded a decrease of approximately 21.5% from approximately HK\$3,318 for the seven months ended 31 July 2018 to HK\$2,604 for the seven months ended 31 July 2019 because of declining growth rate of visitor per capita spending in Macau and more discount offered for the seven months ended 31 July 2019 comparing with corresponding period in FY2018. The highest average spending per transaction for FY2016, FY2017, FY2018 recorded by the stores opened in FY2014 was primarily contributed by high average spending per transaction of approximately HK\$5,866, HK\$6,114 and HK\$6,231 for FY2016, FY2017 and FY2018, respectively recorded by the store selling products of *Ed Hardy*. The highest average spending per transaction for the seven months ended 31 July 2019 recorded by the stores opened in FY2016 was primarily contributed by high average spending per transaction of approximately HK\$8,870 and HK\$8,720 recorded by the store selling products of Brand C and *Neil Barrett* respectively.

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The average spending per transaction in our retail stores in Mainland China recorded a continuous growth from approximately HK\$1,342 for FY2016 to HK\$1,472 for FY2018, representing a CAGR of approximately 4.7%. Such growth was mainly attributable to increasing disposable income per capita in Mainland China. The average spending per transaction for the seven months ended 31 July 2019 then increased to approximately HK\$1,499. The highest average spending per transaction for FY2016, FY2017 and FY2018 recorded by the stores opened in FY2016 was primarily contributed by high average spending per transaction of approximately HK\$5,841, HK\$5,320, HK\$5,422 and HK\$4,754 for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively recorded by the store selling products of *Neil Barrett*. The lowest average spending per transaction for the seven months ended 31 July 2019 recorded by the stores opened in the seven months ended 31 July 2019 was primarily attributable to the store selling products of *LI-NING* which recorded average spending per transaction of approximately HK\$697.

The average spending per transaction in our retail stores in Hong Kong recorded a declining trend from approximately HK\$2,529 for FY2016 to HK\$1,101 for FY2018 which was mainly due to introduction of a new sports brand in FY2017 and the average pricing of each product of this new brand was lower than that of the fashion apparel products sold in FY2016. The average spending per transaction in Hong Kong and Taiwan further decreased to approximately HK\$1,009 for the seven months ended 31 July 2019 due to the decrease in average selling price of the apparel products sold in Hong Kong and Taiwan comparing the seven months ended 31 July 2018. The highest average spending per transaction for FY2016, FY2017 and FY2018 recorded by the store opened in FY2016 was primarily contributed by the store selling products of *Ed Hardy*. The stores opened in the seven months ended 31 July 2019 recorded a higher average spending per transaction for the seven months ended 31 July 2019 comparing with the stores opened in FY2017 and FY2018 primarily due to high average spending per transaction of approximately HK\$8,867 and HK\$7,605 recorded by the stores selling products of *Neil Barrett* and *Sergio Rossi* located in Taiwan, respectively.

Monthly sales per sq.m.

Monthly sales per sq.m. is a measurement of our efficiency of store management in creating revenue from the sales space available to us. The figures have significant impact on our marketing and display of our products. While we closely monitor the average sales per sq.m. from time to time, we also evaluate our store performance by reviewing the operating efficiency for each store. The following table sets forth the monthly sales per sq.m. of our self-operated retail stores including both mono-brand stores and multi-brand stores but excluding the managed stores by geographic regions and by year of opening of stores for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

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The table below sets forth the monthly sales per sq.m. of our retail shops in different regions by year of opening for the years or period indicated.

Macau	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	Seven months ended 31 July 2019
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Stores opened in and before 2013	6,586	6,943	6,916	6,488	6,120
Stores opened in 2014	9,246	12,272	14,805	15,405	12,119
Stores opened in 2015	4,585	5,458	6,286	6,305	5,610
Stores opened in 2016	3,486	3,378	3,513	3,658	3,188
Stores opened in 2017	–	3,213	8,393	8,252	8,141
Stores opened in 2018	–	–	9,830	8,079	8,707
Stores opened in 2019	–	–	–	–	8,878
Overall	5,616	5,726	7,074	6,738	6,851

Mainland China	FY2016	FY2017	FY2018	Seven months ended 31 July 2018	Seven months ended 31 July 2019
	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
Stores opened in and before 2013	1,903	2,005	2,251	2,302	2,177
Stores opened in 2014	1,832	2,119	2,284	2,342	2,056
Stores opened in 2015	1,614	1,772	1,672	1,927	1,479
Stores opened in 2016	1,262	2,452	3,182	3,038	3,750
Stores opened in 2017	–	1,129	1,624	1,557	1,774
Stores opened in 2018	–	–	936	1,181	1,496
Stores opened in 2019	–	–	–	–	928 [#]
Overall	1,792	1,939	1,918	2,087	1,872[#]

[#] The monthly sales per sq.m. for the seven months ended 31 July 2019 excluded the revenue of approximately HK\$3.6 million generated from sales of *CK CALVIN KLEIN* branded products for Club 21 Group on retail basis during the seven months ended 31 July 2019 under an interim arrangement of operating 19 temporary retail stores.

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Hong Kong and Taiwan*	FY2016 <i>HKD</i>	FY2017 <i>HKD</i>	FY2018 <i>HKD</i>	Seven months ended 31 July 2018 <i>HKD</i>	Seven months ended 31 July 2019 <i>HKD</i>
Stores opened in and before 2013	123,225	–	–	–	–
Stores opened in 2014	–	–	–	–	–
Stores opened in 2015	34,128	36,686	48,122	44,042	40,144
Stores opened in 2016	14,266	21,522	21,922	24,040	20,660
Stores opened in 2017	–	4,689	2,741	2,723	2,645
Stores opened in 2018	–	–	5,208	2,890	4,141
Stores opened in 2019	–	–	–	–	2,048
Overall	22,812	8,780	5,361	4,492	4,196

* Our retail stores in Taiwan were only opened in the seven months ended 31 July 2019.

The monthly sales per sq.m. for retail stores in Macau recorded a continuous growth form approximately HK\$5,616 for FY2016 to HK\$7,074 for FY2018, representing a CAGR of approximately 12.2%. The monthly sales per sq.m. for the seven months ended 31 July 2019 recorded a higher amount of approximately of HK\$6,851 comparing with HK\$6,738 of the same period in FY2018 because the growth rate of revenue of approximately 15.4% during these two periods was higher than the corresponding growth rate of average sales floor area we managed of approximately 13.5% during the same period. The retail stores opened in FY2014 recorded highest monthly sale per sq.m. among other retail stores ranging from HK\$9,246 in FY2016 to HK\$14,805 in FY2018, which was primarily attributable to high performance of one store selling products of *Ed Hardy* which monthly sales per sq.m. ranged from approximately HK\$23,795 in FY2016 to HK\$17,805 in the seven months ended 31 July 2019. Similarly, the high performance recorded by the stores opened during the seven months ended 31 July 2019 was due to the store selling *Ed Hardy* products.

The monthly sales per sq.m. for retail stores in Mainland China recorded an increase from approximately HK\$1,792 for FY2016 to HK\$1,939 for FY2017, representing an increase of approximately 8.2% which was mainly due to increase in average transaction price in FY2017. The monthly sales per sq.m. decreased slightly by 1.1% to HK\$1,918 for FY2018 as the average sales floor area we managed in FY2018 was approximately 13.4% more than that of FY2017. The monthly sales per sq.m. for the seven months ended 31 July 2019 recorded a lower amount of approximately of HK\$1,872 comparing with HK\$2,087 of the same period in 2018 because the growth rate of average sales floor area we managed of approximately 22.6% was higher than the growth rate of revenue of approximately 11.3% during these two periods. The stores opened in FY2016 recorded a highest CAGR of approximately 36.1% from FY2016 to FY2018 which was mainly due to the high performance of stores selling *Neil Barrett* which monthly sales per sq.m. ranged form approximately HK\$12,672 in FY2016 to HK\$21,724 in the seven months ended 31 July 2019.

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The monthly sales per sq.m. for retail stores in Hong Kong recorded a decrease from approximately HK\$22,812 for FY2016 to HK\$8,780 for FY2017 as we operated only two brands in FY2016 and the introduction of a new fashion sports brand with lower average price in FY2017 coupled with the increase of average sales floor area for FY2017 of approximately 326 sq.m., representing approximately 7.7 times of the average sales floor area of approximately 43 sq.m. for FY2016. The monthly sales per sq.m. decreased further to approximately HK\$5,361 for FY2018 as the average sales floor area increased from approximately 326 sq.m. for FY2017 to 997 sq.m. for FY2018 in FY2018, representing approximately 3.1 times of the average sales area in FY2017. The monthly sales per sq.m. then decreased to approximately HK\$4,196 for the seven months ended 31 July 2019 mainly due to the increase of average sales floor area from approximately 997 sq.m. for FY2018 to 1,651 sq.m. for the seven months ended 31 July 2019 coupled with the decrease in average spending per transaction in Hong Kong and Taiwan for the seven months ended 31 July 2019.

In FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the top quartile stores in the PRC achieved monthly sales per sq.m. exceeding the upper quartile of HK\$2,585, HK\$2,790, HK\$2,793 and HK\$2,578, respectively. For the same periods, the bottom quartile stores in the PRC achieved monthly sales per sq.m. below the lower quartile of HK\$844, HK\$1,003, HK\$1,036 and HK\$886, respectively.

In FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, the top quartile stores in Macau achieved monthly sales per sq.m. exceeding the upper quartile of HK\$6,686, HK\$8,526, HK\$10,698 and HK\$11,015, respectively. For the same periods, the bottom quartile stores in Macau achieved monthly sales per sq.m. below the lower quartile of HK\$2,265, HK\$2,661, HK\$3,494 and HK\$3,440, respectively.

Seasonal impact on our revenue

Our sales performance is subject to seasonal fluctuations. We normally generate higher revenue during winter season than summer season as the unit price of winter apparel is generally higher than that of the summer apparel. We typically record higher revenue in traditional peak season in Mainland China long holidays like the week commencing from 1st of May and 1st of October and Chinese New Year. Moreover, unusual and adverse weather conditions, such as extended period of unusual warm during the winter may affect our sales of winter apparels. We normally launch promotions during the non-peak season to boost our sales.

The seasonality will affect the inventory level as more inventories are required to meet the increased sales during holiday seasons. We make quick response to the changing in weather and manage our inventories in light of coming peak seasons at an affordable level. As such, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years are not necessarily meaningful and cannot be relied on as indicators of our performance.

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Cost of sales

Our cost of sales mainly comprises cost of inventories sold. For FY2016, FY2017, FY2018 and seven months ended 31 July 2019, we recorded cost of sales of approximately HK\$454.9 million, HK\$476.6 million HK\$614.5 million and HK\$417.9 million representing approximately 47.9%, 44.7%, 45.7% and 46.9% of our total revenue, respectively.

The cost of inventories sold represents mainly the cost of products provided by our suppliers who are mainly brand owners or their master/authorised licensors; and any impairment on the slow-moving inventory items. Our purchase from our five largest suppliers amounted to approximately 70.3%, 71.2%, 64.0% and 62.5% of our total purchases for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, respectively. Accordingly, any increase in the cost of the products supplied by the suppliers will adversely affect our financial position and operating results if we cannot shift the increase in cost to our customers. We rely on the continuous supply of products from our suppliers and any decline or interruption in the supply of the products to us will also adversely impact on our financial position and operating results.

Almost all of our purchase and sales arising from operation of subsidiaries in Mainland China is settled in RMB, so the currency mismatch in Mainland China is insignificant. For our subsidiaries in Macau and Hong Kong, most of our purchases made from suppliers are denominated and settled in Euro with the rest is U.S. dollars while the sales are in MOP or Hong Kong dollars. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, approximately 30.4%, 25.5%, 39.1% and 29.3% of our total purchased were settled in in Euro, respectively. Considering the stable exchange rate among MOP, Hong Kong dollars and U.S. dollars, the foreign currency exchange risk is mainly from purchase made in Euro. The purchase made in Euro was settled at the exchange rate prevailing at the time of settlement and recorded in the cost of sales. However, the recommended retail prices of individual products for sale to end-customers are set by reference to a rate of Euro fixed by the brand owners for a three-month period. Such Euro exchange rate is then revised for every three-month period thereafter. As a result, we absorb the exchange fluctuation in the cost of sales within the three-month period whenever the current rate for settlement of purchase differs from the fixed exchange rate for the recommended retail prices. To mitigate our foreign exchange risk, we provide a safe margin of approximately one to two percentage for the exchange fluctuation whenever negotiate the fixed exchange rate for calculating the recommended retail prices with the brand owners. As such, given the period exposed to the fluctuation is relatively short, the foreign exchange exposure of currency matching between our sales and costs, though existed, was not material during the Track Record Period.

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The table below sets forth the sensitivity analysis on our cost of sales, based on hypothetical fluctuations of 5%, 10% and 20% respectively, for each of FY2016, FY2017, FY2018 and the seven months ended 31 July 2019:

	FY2016	FY2017	FY2018	Seven months ended 31 July 2019
Increase/(decrease) in percentage of cost of sales	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000
+20%	(90,974)	(95,322)	(122,902)	(83,575)
+10%	(45,487)	(47,661)	(61,451)	(41,788)
+5%	(22,743)	(23,831)	(30,726)	(20,894)
No change	—	—	—	—
-5%	22,743	23,831	30,726	20,894
-10%	45,487	47,661	61,451	41,788
-20%	90,974	95,322	122,902	83,575

For illustrative purposes, for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, it is estimated that we would achieve breakeven on our profit before income tax if our cost of sales increased by approximately 1.5%, 16.0%, 20.6% and 9.9%, respectively, given all other variable remaining intact.

Rental expenses

We generate approximately 95% of our total revenue from the sales of our retail stores which are all located in leased premises. We also rent our office premises during the Track Record Period. For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, our Group's expenses incurred for right-of-use of these leased premises which consisted of variable lease expenses, depreciation of right-of-use assets and finance cost in respect of right-of-use assets hereof amounted to approximately HK\$213.9 million, HK\$218.0 million, HK\$250.8 million and HK\$184.7 million, respectively, representing approximately 22.5%, 20.4%, 18.7% and 20.7%, respectively of our Group's total revenue. Our Group's retail stores are leased premises with tenancy terms ranging from approximately one to five years. Amongst the tenancy lease agreements subsisting at the Latest Practicable Date, the earliest expiry date will be 31 October 2019 and there were 19 leases that will be expired before the year ending 31 December 2019.

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The table below sets forth the sensitivity analysis on our expenses on right-of-use of these leased premises, based on hypothetical fluctuations of 5%, 10% and 20% respectively, for FY2016, FY2017, FY2018 and seven months ended 31 July 2019:

	FY2016	FY2017	FY2018	Seven months ended 31 July 2019
Increase/(decrease) in percentage of expenses of right-of-use of leased premises	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000	(Decrease)/increase in profit before income tax HKD'000
+20%	(43,730)	(43,593)	(50,165)	(36,942)
+10%	(21,865)	(21,796)	(25,083)	(18,471)
+5%	(10,933)	(10,898)	(12,541)	(9,235)
No change	—	—	—	—
-5%	10,933	10,898	12,541	9,235
-10%	21,865	21,796	25,083	18,471
-20%	43,730	43,593	50,165	36,942

For illustrative purposes, for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, it is estimated that we would achieve breakeven on our profit before income tax if our expenses on right-of-use of leased premises increased by approximately 3.2%, 34.9%, 50.5% and 22.4% respectively, given all other variable remaining intact.

Staff costs

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees in each of headquarter level, regional level and retail store level of our operations. Moreover, it also depends on our experienced and capable management team to execute our business strategies and manage our business operation. For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, the total staff costs incurred by our Group included salaries, wages and bonus (including directors' remuneration) and other employee benefits which amounted to approximately HK\$134.6 million, HK\$148.0 million, HK\$201.1 million and HK\$148.3 million, respectively, representing approximately 14.2%, 13.9%, 15.0% and 16.6% respectively of our total revenue. Competition in the labour market for sales staff with experience may increase our costs in hiring and retaining staff with relevant experience, which may adversely impact on our operational results.

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The table below sets forth the sensitivity analysis on our staff costs, based on hypothetical fluctuations of 5%, 10%, 15% and 20%, respectively, for each of FY2016, FY2017, FY2018 and the seven months ended 31 July 2019:

	FY2016	FY2017	FY2018	Seven months ended 31 July 2019
Increase/(decrease) in percentage of staff costs	(Decrease)/ increase in profit before income tax HKD'000	(Decrease)/ increase in profit before income tax HKD'000	(Decrease)/ increase in profit before income tax HKD'000	(Decrease)/ increase in profit before income tax HKD'000
+20%	(26,921)	(29,595)	(40,222)	(29,659)
+10%	(13,461)	(14,798)	(20,111)	(14,830)
+5%	(6,730)	(7,399)	(10,555)	(7,415)
No change	–	–	–	–
-5%	6,730	7,399	10,055	7,415
-10%	13,461	14,798	20,111	14,830
-20%	26,921	29,595	40,222	29,659

For illustrative purposes, for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, it is estimated that we would achieve breakeven on our profit before income tax if our staff costs increased by approximately 5.2%, 51.4%, 62.9% and 27.9% respectively, given all other variable remaining intact.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 May 2019. Upon the completion of the Reorganisation, our Company became the holding company of the companies now comprising our Group. The financial information in the Accountant's Report set out in Appendix I to this prospectus has been prepared as if our Company had always been the holding company of the operating subsidiaries comprising our Group. Our operating subsidiaries were under common control of the Ultimate Controlling Shareholders, immediately before and after the Reorganisation. As such, the Reorganisation is regarded as a business combinations under common control, and for the purpose of the Accountant's Report set out in Appendix I to this prospectus, the financial information has been prepared on a consolidated basis.

Our consolidated financial statements have been prepared in accordance with the IFRS and applicable disclosure requirements of the Listing Rules and the Companies Ordinance. Our consolidated financial information is presented in Hong Kong Dollars (HKD), which is our functional and presentation currency.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in details in Note 2 to the Accountant's Report in Appendix I. Significant accounting judgments and estimates are set forth in Note 4 to the Accountant's Report in Appendix I. Critical accounting policies are those that are most important to the portrayal of our financial conditions and results of operations and require our management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Sale of goods – retail

Our Group operates a chain of fashion apparel retail stores for retailing a wide range of fashion apparel of international brands or designer brands ranging from established to up-and-coming brands and our owned brands. We also offer other lifestyle products. Revenue from the sale of products is recognised when a product is sold to the end customer. The end customer has a right of return within seven days and based on the previous historical record, such returns were insignificant for years. The management estimates that it is highly unlikely that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns is reassessed at each reporting date.

Sale of goods – wholesales

We also wholesale limited brands of luxury apparel and accessories in the wholesale market. Sales are recognised when the control of the apparel and accessories has been transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesaler acceptance of the goods. Delivery occurs when the wholesaler has accepted the goods in accordance with the sales contract, acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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Store management and consignment services

The management fee is recognised and billed to customers based on the actual store turnover in that month. The Group also earns consignment fee from the sales of *CK CALVIN KLEIN* products in Mainland China, pursuant to an arrangement with its brand owner on a temporary basis in 2019, which was not one of our regular sales channels. This consignment arrangement had been ceased subsequent to the Track Record Period and as at the Latest Practicable Date, as calculated based on a percentage of each sales transaction for sale of consignment goods placed in its retail stores to end customers.

Income Taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary difference arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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Adoption of IFRS 9, IFRS 15 and IFRS 16

Our historical financial information has been prepared based on the underlying financial statements, in which IFRS 9, “Financial instruments” (“**IFRS 9**”), IFRS 15, “Revenue from contracts with customers” (“**IFRS 15**”) and IFRS 16, “Leases” (“**IFRS 16**”) have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period.

Given that the Track Record Period spans from 1 January 2016 to 31 July 2019, by which time IFRS 9, IFRS 15 and IFRS 16 would be mandatorily applied, we have adopted IFRS 9, IFRS 15 and IFRS 16 in lieu of IAS 39 “Financial Instruments: Recognition and Measurement” (“**IAS 39**”), IAS 18 “Revenue” (“**IAS 18**”)/IAS 11 “Construction contract” (“**IAS 11**”) and IAS 17 “Leases” (“**IAS 17**”), respectively in the preparation of our underlying financial statements.

We have carried out internal assessments based on the principles set out in IAS 18/IAS 11, IAS 39 and IAS 17, and set forth below certain estimated key impact on our financial position and performance if IAS 18/IAS 11, IAS 39 and IAS 17 were adopted instead:

IFRS 9

Adoption of new impairment model

IFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses instead of as incurred losses basis under IAS 39. We assessed that the adoption of the new impairment methodology under IFRS 9 would not result in significant difference in bad debt provision and did not have any significant impact on the Group’s consolidated financial position and performance as compared with IAS 39.

IFRS 15

Presentation of contract liabilities

Under IFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration or an amount of consideration is due from the customer as contract liabilities.

Should IAS 18 be applied throughout the Track Record Period, approximately HK\$4.4 million, HK\$1.5 million, HK\$3.2 and HK\$2.3 million would be classified as advances from customers as at 31 December 2016, 2017, 2018 and 31 July 2019.

Our Directors considered that the adoption of IFRS 15 as compared to the requirements of IAS 18/IAS 11 did not have any significant impact on our consolidated financial position and performance during the Track Record Period, except for classification of advances from customers to contract liabilities.

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IFRS 16

We lease various properties for operation. Our Group recognised the full lease liabilities in relation to leases which had previously been classified as “operating leases” under IAS 17 if they meet certain criteria set out in IFRS 16.

Presentation of right-of-use assets and lease liabilities

IFRS 16 requires almost all leases being recognized on the statements of financial position by lessees, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The right-of-use asset is subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses; and the lease liability is subsequently measured using the effective interest rate method. Accordingly, the depreciation charges of right-of-use assets and the interest expense on lease liabilities were recognized in the consolidated statements of comprehensive income. These leases would not have been qualified for recognition as assets or liabilities, should IAS 17 have been applied throughout the Track Record Period.

The table set forth below summarised the impacts of the adoption of IFRS 16 on certain key items of our consolidated financial statements:

	Currently reported under IFRS 16 HKD'000	As if reported under IAS 17 HKD'000	Difference HKD'000
Profit after tax for:			
FY2016	5,782	11,703	(5,921)
FY2017	60,160	63,784	(3,624)
FY2018	108,577	109,788	(1,211)
the seven months ended			
31 July 2019	30,020	30,142	(122)
Total assets as at:			
31 December 2016	1,016,886	672,365	344,521
31 December 2017	1,048,869	735,836	313,033
31 December 2018	1,222,844	867,248	355,596
31 July 2019	1,450,751	1,036,162	414,589
Total liabilities as at:			
31 December 2016	942,276	573,672	368,604
31 December 2017	936,988	594,036	342,952
31 December 2018	1,019,173	635,389	383,784
31 July 2019	1,218,595	776,350	442,245

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	Currently reported under IFRS 16 HKD'000	As if reported under IAS 17 HKD'000	Difference HKD'000
Total equity as at:			
31 December 2016	74,610	98,693	(24,083)
31 December 2017	111,881	141,800	(29,919)
31 December 2018	203,671	231,859	(28,188)
31 July 2019	232,156	259,812	(27,656)

The table set forth below summarised the impacts of the adoption of IFRS 16 on key financial ratios:

	Currently reported under IFRS 16	As if reported under IAS 17	Difference
Gearing ratio as at:			
31 December 2016	90.1%	76.0%	14.1%
31 December 2017	83.9%	62.7%	21.2%
31 December 2018	75.4%	51.0%	24.4%
31 July 2019	75.5%	51.2%	24.3%
Debt to equity ratio as at:			
31 December 2016	90.7%	78.4%	12.3%
31 December 2017	85.6%	69.5%	16.1%
31 December 2018	77.7%	58.6%	19.1%
31 July 2019	78.0%	59.5%	18.5%
Interest coverage ratio as at:			
31 December 2016	1.3	1.7	-0.4
31 December 2017	4.4	10.2	-5.8
31 December 2018	6.1	13.5	-7.4
31 July 2019	3.2	6.2	-3.0
Return on equity as at:			
31 December 2016	7.8%	17.9%	-10.2%
31 December 2017	53.8%	46.2%	7.6%
31 December 2018	53.3%	46.2%	7.1%

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	Currently reported under IFRS 16	As if reported under IAS 17	Difference
Return on total assets as at:			
31 December 2016	0.6%	2.6%	-2.0%
31 December 2017	5.7%	8.9%	-3.2%
31 December 2018	8.9%	12.4%	-3.5%
Current ratio as at:			
31 December 2016	1.0	1.4	-0.4
31 December 2017	1.0	1.4	-0.4
31 December 2018	1.1	1.4	-0.3
31 July 2019	1.0	1.3	-0.3
Quick ratio as at:			
31 December 2016	0.5	0.7	-0.2
31 December 2017	0.5	0.7	-0.2
31 December 2018	0.5	0.7	-0.2
31 July 2019	0.5	0.6	-0.1

Based on management's assessment, the adoption of IFRS 16 resulted in an increase in the right-of-use assets and the lease liabilities, which resulted in a significant increase in both assets and liabilities in the consolidated statements of financial position. The adoption also front-loaded the expense recognition in the consolidated statements of comprehensive income over the period of the leases and the expenses decrease throughout the lease term. The effects on the consolidated statements of comprehensive income as a result of the combination of the interest expenses arising from the lease liabilities and the depreciation charge of the right-of-use assets as compared to the rental expenses under IAS17 were significant for the year ended 31 December 2016 and 31 December 2017 as the store number begin to increase sharply in these years. The impact for the year ended 31 December 2018 and the seven months ended 31 July 2019 is not significant as the lease expenses of existing stores decrease.

The adoption of IFRS 16 did not affect the Group's total cash flows position in respect of the leases. However, the presentation will be affected in the manner that the payment of lease liabilities in relation to fixed lease payments disclosed in financing activities should have been presented in operating activities under IAS 17. Should IAS 17 be applied throughout the Track Record Period, cash flows from financing activities of approximately HK\$171.1 million, HK\$174.2 million, HK\$190.8 million and HK\$147.1 million would be reclassified as cash flows from operating activities for the years ended 31 December 2016, 2017, 2018 and the seven months ended 31 July 2019, respectively.

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The table set forth below summarised the impacts of the adoption of IFRS 16 on our cash flow position:

	Currently reported under IFRS 16 HKD'000	As if reported under IAS 17 HKD'000	Difference HKD'000
Net cash generated from operating activities for:			
FY2016	255,522	84,400	171,122
FY2017	320,987	146,807	174,180
FY2018	296,335	105,511	190,824
the seven months ended			
31 July 2019	210,577	63,494	147,083
Net cash (used in)/generated from financing activities for:			
FY2016	(168,128)	2,994	(171,122)
FY2017	(253,108)	(78,928)	(174,180)
FY2018	(203,752)	(12,928)	(190,824)
the seven months ended			
31 July 2019	(104,095)	42,988	(147,083)

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RESULTS OF OPERATION

The following table sets forth a summary of our consolidated statement of profit or loss and other comprehensive income for the years/periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	FY2016		FY2017		FY2018		For the seven months ended 31 July 2018		2019	
	HKD'000	% of revenue	HKD'000	% of revenue	HKD'000	% of revenue	HKD'000	% of revenue	HKD'000	% of revenue
	(unaudited)									
Revenue	950,148	100.0	1,066,630	100.0	1,344,865	100.0	756,370	100.0	891,871	100.0
Cost of sales	(454,869)	(47.9)	(476,612)	(44.7)	(614,510)	(45.7)	(350,403)	(46.3)	(417,876)	(46.9)
Gross profit	495,279	52.1	590,018	55.3	730,355	54.3	405,967	53.7	473,995	53.1
Selling and marketing expenses	(403,152)	(42.4)	(426,371)	(40.0)	(509,385)	(37.9)	(286,314)	(37.9)	(348,774)	(39.1)
General and administrative expenses	(53,253)	(5.6)	(69,701)	(6.5)	(74,614)	(5.5)	(46,556)	(6.1)	(69,674)	(7.8)
Other income	211	0.0	8,977	0.8	8,225	0.6	3,200	0.4	508	0.1
Other (losses)/gains, net	(6,341)	(0.7)	(4,160)	(0.4)	(3,165)	(0.3)	(3,184)	(0.4)	3,855	0.4
Operating profit	32,744	3.4	98,763	9.2	151,416	11.2	73,113	9.7	59,910	6.7
Finance costs, net	(25,785)	(2.7)	(22,644)	(2.1)	(24,842)	(1.8)	(13,624)	(1.8)	(18,574)	(2.1)
Profit before income tax	6,959	0.7	76,119	7.1	126,574	9.4	59,489	7.9	41,336	4.6
Income tax expense	(1,177)	(0.1)	(15,959)	(1.5)	(17,997)	(1.3)	(7,784)	(1.0)	(11,316)	(1.2)
Profit for the year/period	5,782	0.6	60,160	5.6	108,577	8.1	51,705	6.9	30,020	3.4
Profit attributable to:										
Equity shareholders of our Company	7,933		60,786		103,941		49,739		28,987	
Non-controlling interests	(2,151)		(626)		4,636		1,966		1,033	

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DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

We generate revenue primarily from our sales of fashion apparel and lifestyle products to end customers through our retail stores. We also generate revenue from wholesaling *Neil Barrett* ready-to-wear products to two distributors in Mainland China; and providing store management in Macau, as well as consignment services in Mainland China on a temporary basis and not as our major or regular sales channels, to international brand owners. Our revenue is stated as the sales value of goods net of any value added tax, rebates, returns and discounts.

Revenue by business mode and sales channel

We sell primarily our apparel products through an extensive network of retail stores located in Mainland China, Macau, Hong Kong and Taiwan. The following table sets forth a breakdown of our revenue by business mode and sales channel, each expressed in the absolute amount and as a percentage of our total revenue, for the years and the seven-month periods indicated.

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018 (Unaudited)		2019	
Retail										
Mono-brand stores	772,504	81.3	861,376	80.8	1,073,641	79.8	606,189	80.2	696,164	78.0
Multi-brand stores	131,671	13.9	146,375	13.7	204,437	15.2	114,018	15.1	136,037	15.3
Online Sales	185	–	572	–	538	–	314	–	67	–
	904,360	95.2	1,008,323	94.5	1,278,616	95.0	720,521	95.3	832,268	93.3
Store management	32,490	3.4	32,396	3.0	29,256	2.2	17,683	2.3	20,078	2.3
Consignment services (Note)	–	–	–	–	–	–	–	–	28,493	3.2
Wholesale	13,298	1.4	25,911	2.5	36,993	2.8	18,166	2.4	11,032	1.2
Total	950,148	100.0	1,066,630	100.0	1,344,865	100.0	756,370	100.0	891,871	100.0

Note: The consignment service was provided to one of our suppliers on a temporary basis in 2019.

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For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, our revenue generated from retail sales amounted to approximately HK\$904.4 million, HK\$1,008.3 million, HK\$1,278.6 million, HK\$720.5 million and HK\$832.3 million, representing approximately 95.2%, 94.5%, 95.0%, 95.3% and 93.3% of our total revenue, respectively. The revenue generated from our mono-brand stores accounted for approximately 81.3%, 80.8%, 79.8%, 80.2% and 78.0% of our total revenue for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019. We also provide store management services to the owners of international brands including *Calvin Klein Performance*, *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Calvin Klein Accessories*, *Roberto Cavalli* and *Tommy Hilfiger* for their retail stores in Macau and, on a temporary basis, consignment services to the Club 21 Group in 2019 in Mainland China whereby our revenue is generated from the service fees and commission calculated on a percentage of the selling prices of the brand products predetermined and agreed by the brand owners and us. We also generate a lesser portion of our revenue from wholesaling *Neil Barrett* brand ready-to-wear apparel to our two sub-distributors in Mainland China. The revenue generated from store management and consignment services and wholesale contributed approximately HK\$45.8 million, HK\$58.3 million, HK\$66.2 million, HK\$35.8 million and HK\$59.6 million, representing approximately 4.8%, 5.5%, 5.0%, 4.7% and 6.7% of our total revenue, respectively for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019. We provided store management to five, six, nine, eight and ten retail stores for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019. The revenue generated from store management recorded a stable amount of approximately HK\$32.5 million and HK\$32.4 million for FY2016 and FY2017 respectively. The revenue then decreased to approximately HK\$29.3 million in FY2018 primarily due to reduction in service fee and absorption of rental expenses by the customers. The revenue of store management recorded a growth of approximately HK\$2.4 million for the seven months ended 31 July 2019 comparing with same period of 2018 primarily due to increase in rental expenses reimbursed by the customers. We also generated revenue from consignment services fees received of approximately HK\$28.5 million from sales of *CK CALVIN KLEIN* products in Mainland China on consignment basis as a temporary arrangement between the master licensor of the brand and us, which had ceased subsequent to the Track Record Period and as at the Latest Practicable Date. The revenue generated from wholesale recorded a steady growth from approximately HK\$13.3 million for FY2016 to HK\$37.0 million for FY2018 and the seven months ended 31 July 2019 recorded a decrease of approximately HK\$7.2 million comparing with the seven months ended 31 July 2018 mainly because of reducing orders from one of the sub-distributors in Mainland China during the seven months ended 31 July 2019.

Our revenue increased gradually from approximately HK\$950.1 million for FY2016 to HK\$1,344.9 million for FY2018, representing a CAGR of approximately 19.0%. The overall increase in revenue during the years from FY2016 to FY2018 was primarily due to increase in number of brands for which we opened our mono-brand stores from 20 brands for FY2016 to 28 brands for FY2018 and increase in sales floor area from approximately 26,294 sq.m. as at 31 December 2016 to 33,491 sq.m. as at 31 December 2018. The number of brands and sales floor area was then increased to 31 brand and 35,194 sq.m. as at 31 July 2019.

Retail Revenue by brands of mono-brand stores and multi-brand stores

During the Track Record Period, we sold fashion apparel and accessories of over 100 international renowned brands and our owned brands through our retail stores. The table below sets forth a breakdown of our retail revenue generated from retail sales by our major brands sold through our self-operated mono-brand retail stores and multi-brand stores.

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Seven months ended 31 July

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The revenue generated from sales of products of top five brands of mono-brand stores for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019 accounted for approximately 49.7%, 48.7%, 49.6%, 49.5% and 48.8% of our total revenue, respectively. The revenue generated from our mono-brand stores was approximately HK\$772.5 million, HK\$861.4 million, HK\$1,073.6 million, HK\$606.2 million and HK\$696.2 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, respectively, representing approximately 85.4%, 85.5%, 84.0%, 84.2% and 83.7% of the total revenue generated from our retail stores for the respective years and periods. The increase of approximately HK\$88.9 million of revenue from our mono-brand stores from FY2016 to FY2017 was mainly contributed by net impact of opening four stores for four new brands and closing one store for one brand of approximately HK\$40.1 million and the net increase of revenue from sales of our products of top five brands of mono-brand stores of approximately HK\$47.0 million. The revenue from our mono-brand stores recorded an increase of approximately HK\$212.3 million in FY2018 comparing with FY2017 which was mostly contributed by the net increase of revenue from the sales of products of our top five brands of mono-brand stores of approximately HK\$147.6 million and the increase of the sales of products of other brands of approximately HK\$64.7 million of which approximately HK\$23.3 million was contributed by the sales of products of five new brands introduced in FY2018. The revenue from our mono-brand stores increased from approximately HK\$606.2 million for the seven months ended 31 July 2018 to HK\$696.2 million for the seven months ended 31 July 2019 mainly attributable to the increase of mono-brand stores from 176 stores as at 31 July 2018 to 195 stores as at 31 July 2019 and the increase of brands from 25 brands as at 31 July 2018 to 31 brands as at 31 July 2019.

The revenue generated from our multi-brand stores was approximately HK\$131.7 million, HK\$146.4 million, HK\$204.4 million, HK\$114.0 million and HK\$136.0 million for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, respectively, representing approximately 14.6%, 14.6%, 16.0%, 15.8% and 16.3% of the total revenue generated from our retail stores for the respective years and periods. The revenue from our multi-brand stores in FY2017 recorded an increase of approximately HK\$14.7 million which was mainly contributed by the increase of sales in our *UM Junior* stores approximately HK\$7.8 million and other branded stores of approximately of HK\$6.9 million which was mainly generated from a new branded store, *UM Club*. The revenue from our multi-brand stores in FY2018 recorded an increase of approximately HK\$58.1 million which was mainly contributed by the increase of sales in our *UM Junior* stores of approximately HK\$38.1 million and other branded stores of approximately of HK\$20.0 million. The revenue from our multi-brand stores increased from approximately HK\$114.0 million for the seven months ended 31 July 2018 to HK\$136.0 million for the seven months ended 31 July 2019 mainly attributable to the increase of multi-brand stores from 26 stores as at 31 July 2018 to 30 stores as at 31 July 2019, one of which was *WF Fashion* which brought products of 52 new brands during the seven months ended 31 July 2019.

As designer fashion in the apparel retail market is sensitive to fast changing consumer preference, we have to keep on identifying and sourcing new brands that will be well-received by a wider customer base or the emerging brands with strong growth potential. We therefore plan to enhance our brand portfolio continuously to diversify the risk associated and improve the flexibility of the brand portfolio in meeting fast-changing customer preference.

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Revenue by geographic areas

The following table sets forth the breakdown of our revenue by geographical area of our customers for the years and periods indicated:

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018		2019	
							(Unaudited)			
Macau	522,882	55.0	581,492	54.5	774,257	57.5	437,357	57.8	504,239	56.6
Mainland China	415,631	43.7	450,843	42.3	506,504	37.7	287,693	38.0	339,137	38.0
Hong Kong & Taiwan ^(Note 1)	11,635	1.3	34,295	3.2	64,104	4.8	31,320	4.2	48,495	5.4
Total	950,148	100.0	1,066,630	100.0	1,344,865	100.0	756,370	100.0	891,871	100.0

Note 1: Hong Kong and Taiwan included the revenue generated from three retail stores opened in Taiwan in the seven months ended 31 July 2019 which contributed approximately HK\$2.9 million for the seven months ended 31 July 2019.

For FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, revenue generated from Macau amounted to approximately HK\$522.9 million, HK\$581.5 million, HK\$774.3 million, HK\$437.4 million and HK\$504.2 million, representing approximately 55.0%, 54.5%, 57.5%, 57.8% and 56.6% of our total revenue, respectively. The revenue generated from Macau recorded a growth rate of approximately 11.2% and 33.2% from FY2016 to FY2017 and FY2017 to FY2018 respectively. The growth rate recorded in FY2017 and FY2018 comparing with FY2016 and FY2017 was mainly attributable to the increase in number of visitors to Macau and average spending of individual visitors during the years of FY2017 and FY2018, the increase of average sales floor area from approximately 7,277 sq.m. for FY2016 to 8,776 sq.m. for FY2018 and the number of brands operated under mono-brand stores increased from 14 brands as at 31 December 2016 to 20 brands as at 31 December 2018. The revenue generated from Macau for the seven months ended 31 July 2019 recorded approximately HK\$504.2 million, representing a growth of approximately 15.3% from HK\$437.4 million for the seven months ended 31 July 2018. The growth rate slowed down mainly attributable to declining average spending of visitors in Macau for the seven months ended 31 July 2019 which, according to the F&S Report, was primarily attributable to the increase in same-day visitors who normally spend less having outweighed the corresponding increase in overnight visitors who normally spend more during their stay in Macau.

The second largest revenue contribution came from Mainland China which amounted to approximately HK\$415.6 million, HK\$450.8 million, HK\$506.5 million, HK\$287.7 million and HK\$339.1 million, representing approximately 43.7%, 42.3%, 37.7%, 38.0% and 38.0% of our total revenue, respectively for FY2016, FY2017, FY2018 and the seven months period ended 31 July 2018 and 2019. The revenue generated from Mainland China recorded a growth rate of

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approximately 8.5% and 12.3% from FY2016 to FY2017 and FY2017 to FY2018, respectively. The revenue growth was driven by the increase of our average sales floor area from 18,706 sq.m. for FY2016 to 20,373 sq.m. for FY2018 and the number of brands we operated under mono-brand stores increased from 11 brands as at 31 December 2016 to 14 brands for as at 31 December 2018. The revenue generated from Mainland China for the seven months ended 31 July 2019 recorded approximately HK\$339.1 million, representing a growth of approximately 17.9% from HK\$287.7 million for the seven months ended 31 July 2018 mainly attributable to the steady growth of disposable income per capita in Mainland China.

The revenue generated from the sales in Hong Kong and Taiwan recorded a significant growth from approximately HK\$11.6 million for FY2016 to HK\$34.3 million for FY2017, representing an increase of approximately 195.7%. The revenue was further increased to HK\$64.1 million in Hong Kong for FY2018, representing an increase of approximately 86.9%. The growth was mainly attributable to the opening of one and three retail stores in FY2017 and FY2018, respectively. We opened three retail stores in Taiwan in March 2019 and contributed approximately HK\$2.9 million for the seven months ended 31 July 2019.

Cost of sales

Cost of sales primarily consists of cost of apparel products and cost of other products.

	For the seven months ended 31 July				
	FY2016	FY2017	FY2018	2018	2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)				
Cost of inventories sold	419,546	447,699	587,933	331,492	373,658
Provision for (reversal of)					
inventories impairment	7,753	(886)	(260)	4,312	1,446
Employee benefit expenses					
<i>(Note 1)</i>	8,122	8,474	10,894	5,948	14,726
Operating lease expenses <i>(Note 1)</i>	2,295	3,646	1,207	594	1,620
Depreciation of right-of-use					
assets <i>(Note 1)</i>	10,979	11,602	8,957	5,489	20,189
Amortisation of intangible assets					
<i>(Note 2)</i>	4,127	4,127	4,395	2,248	2,139
Other <i>(Note 1)</i>	2,047	1,950	1,384	320	4,098
	<u>454,869</u>	<u>476,612</u>	<u>614,510</u>	<u>350,403</u>	<u>417,876</u>
Total cost of sales	<u>454,869</u>	<u>476,612</u>	<u>614,510</u>	<u>350,403</u>	<u>417,876</u>

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1. Employee benefit expenses, operating lease expenses, depreciation of right-of-use assets and others are direct cost of sales relating to store management services provided.
2. The intangible assets are licence rights granted by the brand owners of *CK CALVIN KLEIN* and *Neil Barrett* which value was capitalised and subject to amortisation during the licence period.

Our cost of inventories represents the amounts paid to our suppliers for fashion apparel and lifestyle products. There was a provision of slow-moving inventories of approximately HK\$7.8 million made in FY2016 for the inventories piled up before FY2016. The provision was later clawed back by approximately HK\$1.1 million during FY2017 and FY2018. The employee benefit expenses, operating lease expenses, depreciation of right-of-use assets and other expenses are direct cost of sales of store management and consignment services. The operating lease expenses are rental expenses paid for our customers for the stores managed which are subsequently reimbursed by our customers and included in our revenue from store management services. The decrease of operating lease expenses from approximately HK\$3.6 million for FY2017 to HK\$1.2 million for FY2018 was mainly due to the increase in proportion of rental expenses of managed expenses directly borne by the customers in FY2018. The depreciation of right-of-use assets and employee benefit expenses recorded an increase of approximately HK\$14.7 million and HK\$8.8 million, respectively primarily due to rental expenses and staff cost incurred for operation of *CK CALVIN KLEIN* stores on consignment basis during the seven months ended 31 July 2019 on a temporary basis which had ceased subsequent to the Track Record Period and as at the Latest Practicable Date. The amortisation of intangible assets represents annual amortisation of capitalised value of the licence rights which were granted by the brand owners.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical areas for the years and periods indicated.

	FY2016		FY2017		FY2018		Seven months ended 31 July			
							2018		2019	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%
	(Unaudited)									
Macau	286,216	54.7	342,117	58.8	463,045	59.8	263,440	60.2	286,363	56.8
Mainland China	202,097	48.6	226,311	50.2	232,998	46.0	125,694	43.7	162,055	47.8
Hong Kong and Taiwan	6,966	59.9	21,590	63.0	34,312	53.5	16,833	53.7	25,577	52.7
Total/Overall	<u>495,279</u>	52.1	<u>590,018</u>	55.3	<u>730,355</u>	54.3	<u>405,967</u>	53.7	<u>473,995</u>	53.1

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Among three geographic areas, the amount of gross profit from sales in Macau contributed to approximately 57.8%, 58.0%, 63.4%, 64.9% and 60.4% of our total gross profit amount for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, respectively. The gross profit margin increased from 54.7% for FY2016 to 58.8% for FY2017. Such increase was mainly due to the decrease in the provision of inventories amounting to approximately HK\$4.3 million made in FY2016 while there was claw back of provision of inventories of approximately HK\$1.2 million in FY2017. The gross margin of Macau for FY2018 was improved from approximately 58.8% for FY2017 to 59.8% for FY2018. The gross profit margin dropped from approximately 60.2% for the seven months ended 31 July 2018 to 56.8% for the seven months ended 31 July 2019 which was mainly due to the decrease in the average spending per transaction from approximately HK\$3,318 for the seven months ended 31 July 2018 to HK\$2,604 for the seven months ended 31 July 2019 resulting from more discounts offered during the seven months ended 31 July 2019.

Gross profit amounts from sales in Mainland China contributed to approximately 40.8%, 38.4%, 31.9%, 31.0% and 34.2% of total gross profit amount for the FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, respectively. The gross profit margin for FY2017 was approximately 50.2%, representing a 1.6% increase from 48.6% for FY2016. Such increase was mainly due to a decrease of provision of inventories of approximately HK\$3.2 million in FY2017 and decrease in discount activities in FY2017 comparing with FY2016. The gross profit margin for FY2018 recorded an decrease of approximately 4.2% from 50.2% for FY2017 to 46.0% for FY2018. Such decrease was mainly attributable to higher discount rates offered in FY2018. The gross profit margin for the seven months ended 31 July 2019 was approximately 47.8%, an improvement of approximately 4.1% from 43.7% for the seven months ended 31 July 2018. Such improvement was mainly due to the corresponding improvement in our store management services and the provision of consignment services on a temporary basis for the seven months ended 31 July 2019.

Gross profit amounts from sales in Hong Kong and Taiwan contributed to approximately 1.4%, 3.7%, 4.7%, 4.1% and 5.4% of total gross profit amount for the Track Record Period, respectively. After the introduction of a fashion sports brand *Under Armour* in FY2017, the gross profit margin was stabilised at the range of approximately from 52.7% to 53.7%.

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Other Income

The following table sets forth a breakdown of our other income during the Track Record Period, each expressed as an absolute amount and as a percentage of our total other income:

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018	%	2019	%
	(Unaudited)									
Government grants	164	77.7	39	0.4	258	3.2	194	6.1	358	70.5
Sale of exhibition materials	47	22.3	1,459	16.3	2,067	25.1	867	27.1	150	29.5
Subsidy from supplier on operating loss	-	-	-	-	3,761	45.7	-	-	-	-
Compensation for delayed opening of stores	-	-	7,479	83.3	2,139	26.0	2,139	66.8	-	-
	<u>211</u>	<u>100.0</u>	<u>8,977</u>	<u>100.0</u>	<u>8,225</u>	<u>100.0</u>	<u>3,200</u>	<u>100.0</u>	<u>508</u>	<u>100.0</u>

Sales of exhibition materials were income derived from the sale of materials to the two sub-distributors of NB China. The subsidy from the supplier on operating loss represented the subsidies received from the supplier for compensating us the operating loss of two *Under Armour* stores in Wan Chai and Kwun Tong, Hong Kong which business was taken up from previous distributor of the brand owner in FY2018 for the purpose of maintaining our long term cooperating relationship. The compensation for delayed opening of retail stores was indemnification received from a shopping mall landlord in respect of the delay in the opening date of eight stores from not later than 31 July 2017 according to the store opening agreements entered with the shopping mall landlord to February 2018. The total compensation was approximately HK\$9.6 million which was recognised in FY2017 and FY2018.

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Other (loss)/gain, net

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018	%	2019	%
							(Unaudited)			
Net changes in cash surrender value of investment in insurance contracts	1,059	(16.7)	1,015	(24.4)	1,068	(33.7)	596	(18.7)	618	16.0
(Losses)/gains on the derecognition of right-of-use assets and lease liabilities	(70)	1.1	568	(13.7)	1,287	(40.7)	–	–	220	5.7
Confiscated leasing deposit	(928)	14.6	(130)	3.1	(102)	3.2	–	–	–	–
Exchange (loss)/gain	(1,566)	24.7	(1,025)	24.6	(4,612)	145.7	(2,612)	82.0	(1,961)	(50.9)
Fair value (losses)/gains on financial liabilities at fair value through profit or losses	(1,235)	19.5	(1,311)	31.5	(897)	28.4	(523)	16.4	4,389	113.9
Net loss on disposal of property, plant and equipment	(2,051)	32.3	(1,737)	41.8	(1,077)	34.0	–	–	(441)	(11.4)
Net loss on capital expenditure projects	(2,725)	43.0	(406)	9.8	–	–	–	–	–	–
Others	1,175	(18.5)	(1,134)	27.3	1,168	(36.9)	(645)	20.3	1,030	26.7
	<u>(6,341)</u>	<u>100.0</u>	<u>(4,160)</u>	<u>100.0</u>	<u>(3,165)</u>	<u>100.0</u>	<u>(3,184)</u>	<u>100.0</u>	<u>3,855</u>	<u>100.0</u>

Other net loss or gain consists of mainly the exchange gain or loss, fair value loss or gain on financial liabilities at fair value through profit or losses, net loss on disposal of property, plant and equipment and capital expenditure project and net changes in cash surrender value of investment in insurance contracts.

Net changes in cash surrender value of investment in insurance contracts which are investment portion of the life insurance products issued by HSBC to Ms. Fan Tammy, our executive Director, represents the changes in cash surrender value at the end of each reporting period. Fair value changes on financial liabilities at fair value through profit or losses represents the fair value changes on financial liabilities arising from the call options granted to the minor shareholder of NB China. Net loss on capital expenditure project is the expenditure loss on stores that ceased plan of opening.

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Selling and marketing expenses

Our selling and marketing expenses mainly consist of (i) expenses related to leased assets in respect of our retail stores, warehouses and offices, (ii) employee benefits expenses and (iii) advertising and promotion expenses. The following table sets forth a breakdown of the major components of our selling and marketing expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the years and periods indicated.

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018	%	2019	%
							(Unaudited)			
Employee benefit expenses	98,915	24.5	106,074	24.9	147,827	29.0	81,824	28.6	100,889	28.9
Advertising and promotion expenses	8,588	2.1	8,943	2.1	11,777	2.3	7,240	2.5	9,803	2.8
Operating lease expenses	28,262	8.2	34,773	8.2	58,819	11.6	30,512	10.7	40,597	11.6
Payment processing fee	7,373	1.8	8,271	1.9	10,605	2.1	6,199	2.2	6,796	2.0
Utilities and electricity expenses	17,469	4.3	19,028	4.5	23,474	4.6	12,667	4.4	15,570	4.5
Depreciation of property, plant and equipment	36,649	9.1	40,816	9.6	45,027	8.8	26,657	9.3	33,610	9.6
Depreciation of right-of-use assets	150,779	37.4	146,275	34.3	159,293	31.3	87,434	30.5	105,682	30.3
Impairment loss on property, plant and equipment	5,850	1.5	12,767	3.0	3,584	0.7	2,740	1.0	3,829	1.1
Impairment loss on right-of-use assets	2,674	0.7	2,499	0.6	1,246	0.2	691	0.2	1,891	0.5
Property management fee	13,607	2.2	15,063	3.5	17,076	3.4	10,997	3.8	12,066	3.5
Other expenses	32,986	8.2	31,862	7.4	30,657	6.0	19,353	6.8	18,041	5.2
	<u>403,152</u>	100.0	<u>426,371</u>	100.0	<u>509,385</u>	100.0	<u>286,314</u>	100.0	<u>348,774</u>	100.0

Our selling and marketing expenses increased during the Track Record Period primarily due to the more expenses incurred to promote and stimulate sales of our retail stores. However, if the selling and marketing expenses expressed in percentage of our total revenue decreased from approximately 42.4% for FY2016 to 40.0% for FY2017 and further decreased to 37.9% for FY2018. The decrease was mainly attributable to higher growth in same store sales while depreciation of right-of-use assets in respect of our retail stores are variable to the number of stores during the Track Record Period.

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Expenses related to leased assets includes operating lease expenses and depreciation of right-of-use assets which represent the rental expenses incurred expressed under the new IFRS 16 “Leases” under which the leased assets are treated as right-of-use assets. Such right-of-use assets are depreciated over the term of the lease on a straight-line basis. The variable lease payments which are normally calculated on a percentage of the revenue generated from the retail stores agreed with the landlords of the right-of-use assets are treated as operating leases expenses. As such, the operating lease expenses increased as the revenue increased during the Track Record Period and the depreciation of right-of-use fluctuated with the number of retail stores being the right-of-use assets which decreased from 188 retail stores as at 31 December 2016 to 184 retail stores as at 31 December 2017 and then increased to 221 retail stores as at 31 December 2018. During the Track Record Period, we incurred expenses related to leased assets of approximately HK\$179.0 million, HK\$181.0 million, HK\$218.1 million, HK\$117.9 million and HK\$146.3 million, respectively, accounting for 45.6%, 44.4%, 42.8%, 41.2% and 41.9% for FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, respectively, of our selling and marketing expenses.

Employee benefit expenses refer to employee salary, sales commission, bonus and fringe benefits paid to sales and marketing staffs. During the FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, we incurred employee benefit expenses of approximately HK\$98.9 million, HK\$106.1 million, HK\$147.8 million, HK\$81.8 million and HK\$100.9 million, respectively, accounting for 24.5%, 24.9%, 29.0%, 28.6% and 28.9%, respectively, of our selling and marketing expenses. The increase in employee benefit expenses from approximately HK\$106.1 million for FY2017 to HK\$147.8 million for FY2018 was mainly due to more staff deployed to operate the increasing number of retail stores, the increase in sales commission calculated based on the revenue and annual increment of staff cost.

Advertising and promotion expenses represent the expenses incurred to promote and market the apparel products we carried in our retail stores. We incurred approximately HK\$8.6 million, HK\$8.9 million, HK\$11.8 million, HK\$7.2 million and HK\$9.8 million, respectively, accounting for 2.1%, 2.1%, 2.3%, 2.5% and 2.8%, respectively, of our selling and marketing expenses. The advertising and promotion expenses increased in amount during the Track Record Period primarily due to the efforts in concert with the brand owners to promote their brands products which resulted in increasing revenue.

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General and administrative expenses

Our general and administrative expenses mainly consist of (i) employee benefit expenses, (ii) depreciation of property, plant and equipment. The following table sets forth a breakdown of the major components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total general and administrative expenses, for the years and periods indicated.

	FY2016		FY2017		FY2018		Seven months ended 31 July			
	HKD'000	%	HKD'000	%	HKD'000	%	2018 (Unaudited)	%	2019	%
Employee benefit expenses	27,569	51.8	33,427	48.0	42,387	56.8	27,935	60.0	32,680	46.9
Utilities and electricity expenses	2,069	3.9	2,308	3.3	1,906	2.6	917	2.0	996	1.4
Depreciation of property, plant and equipment	3,915	7.4	5,778	8.3	4,610	6.2	2,271	4.9	2,554	3.7
Depreciation of right-of-use assets	5,080	9.5	7,015	10.0	7,502	10.1	5,012	10.8	5,743	8.2
Professional service fees	714	1.3	812	1.2	795	1.1	698	1.5	875	1.3
Auditor's remuneration	203	0.4	339	0.5	364	0.5	95	0.2	240	0.3
Travelling, entertainment and communication expenses	2,691	5.1	4,232	6.1	4,630	6.2	3,509	7.5	3,215	4.6
Amortisation of intangible assets	230	0.4	270	0.4	227	0.3	–	–	147	0.2
Office expenses	3,294	6.2	2,365	3.4	2,740	3.7	1,258	2.7	1,846	2.6
Property management fee	1,089	2.0	2,452	3.5	328	0.4	1,372	2.9	1,398	2.0
Listing expenses	–	0.0	–	0.0	2,112	2.8	215	0.5	16,593	23.8
Other expenses	6,399	12.0	10,703	15.3	7,013	9.3	3,274	7.0	3,387	4.9
	<u>53,253</u>	100.0	<u>69,701</u>	100.0	<u>74,614</u>	100.0	<u>46,556</u>	100.0	<u>69,674</u>	100.0

For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, we incurred general and administrative expenses of approximately HK\$53.3 million, HK\$69.7 million, HK\$74.6 million, HK\$46.6 million and HK\$69.7 million, respectively, accounting for approximately 5.6%, 6.5%, 5.5%, 6.2% and 7.8%, respectively, of our total revenue. Our general and administrative expenses increased in amount from FY2016 to FY2018 mainly due to the increase in employee benefit expenses for more employees were hired to enhance the administration in supporting the operation and development of business.

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Finance Income and Costs

Our finance income represents the interest income on our bank deposits, while our finance costs consists of interest expenses on our lease liabilities as a result of adopting IFRS 16, “Leases” and interest expenses on borrowings. The following table sets forth a breakdown of our finance income and costs during the Track Record Period:

	Seven months ended 31 July				
	FY2016	FY2017	FY2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	(Unaudited)				
Finance income					
– Interest income	92	281	324	147	181
Finance expenses					
– Interest expense on leasing liabilities	(16,463)	(14,653)	(15,048)	(8,381)	(10,877)
– Interest expense on borrowings	(9,414)	(8,272)	(10,118)	(5,390)	(7,878)
	(25,877)	(22,925)	(25,166)	(13,771)	(18,755)
Finance expenses – net	(25,785)	(22,644)	(24,842)	(13,624)	(18,574)

Interest expense on leasing liabilities represented part of the expenses related to lease. According to the IFRS 16, each lease payment is allocated between the liability and finance cost which is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Income Tax Expense

Income tax expense primarily represents the total current and deferred tax expenses under the relevant Macau, Mainland China and Hong Kong income tax rules and regulations. Current income tax consists of the Macau profits tax at a rate of 12% of the chargeable profits, Mainland China enterprise income tax, which is generally charged at a rate of 25% of the taxable income and Hong Kong profits tax at a rate of 16.5% of the assessable profits. The effective tax rate for FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019 was approximately 16.9%, 21.0%, 14.2%, 13.1% and 27.4%, respectively. The high effective tax rate of 21.0% for FY2017 was mainly due to increase in proportion of the segment profit of Mainland China after selling and distribution expenses subject to the PRC tax to total segment profit after selling and distribution expenses from approximately 36.1% of total segment profit after selling and distribution expenses for FY2016 to approximately 41.9% for FY2017. The effective tax rate decreased from approximately 21.0% for FY2017 to approximately 14.2% for

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FY2018 as the weight of segment profit after selling and distribution expenses contributed from Mainland China decreased from approximately 41.9% of total segment profit after selling and distribution expenses for FY2017 to approximately 22.3% for FY2018. The high effective tax rate of approximately 27.4% for the seven months ended 31 July 2019 was mainly due to non-deductible item of listing expenses of approximately HK\$16.6 million incurred.

During the Track Record Period and up to the Latest Practicable Date, we fulfilled all of our tax obligations and we are not aware of any outstanding or potential disputes with relevant tax authorities.

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Seven months ended 31 July 2019 compared with seven months ended 31 July 2018

Revenue

Our revenue increased by approximately 17.9% from approximately HK\$756.4 million for the seven months ended 31 July 2018 to approximately HK\$891.9 million for the seven months ended 31 July 2019. The increase in our revenue, being our sales growth of retail business in Macau and Mainland China, was primarily due to combined effect in the increase of average sales floor area, from approximately 28,324 sq.m. for the seven months ended 31 July 2018 to 34,343 sq.m. for the seven months ended 31 July 2019 and the increase in number of brands operated under mono-brand stores from 25 brands for the seven months ended 31 July 2018 to 31 brands for the seven months ended 31 July 2019.

The revenue generated from our retail channels accounted for approximately 93.3% of the total revenue for the seven months ended 31 July 2019 comparing with 95.3% of the same period last year. Among the retail revenue, revenue from our self-operated retail stores accounted for nearly 99.9% of the revenue from retail channels for the seven months ended 31 July 2018 and 2019 and the rest was revenue from online sales. The revenue generated from our mono-brand retail stores increased from approximately HK\$606.2 million for the seven months ended 31 July 2018 to HK\$696.2 million for the seven months ended 31 July 2019, representing approximately 14.8% increase. The revenue generated from our multi-brand retail stores increased from approximately HK\$114.0 million for the seven months ended 31 July 2018 to HK\$136.0 million for the seven months ended 31 July 2019, representing approximately 19.3% increase.

The increase in revenue generated from store management services from approximately HK\$17.7 million for the seven months ended 31 July 2018 to HK\$20.1 million for the seven months ended 31 July 2019 was primarily due to the increase in service fees primarily resulting from increase in rental expenses reimbursed by the customers. We also generated revenue from consignment services of approximately HK\$28.5 million for the seven months ended 31 July 2019, compared with nil for the seven months ended 31 July 2018, resulting from the consignment sales of *CK CALVIN KLEIN* of approximately HK\$28.5 million in respect of temporary arrangement of consignment sales in Mainland China. The decrease in revenue from

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wholesale from approximately HK\$18.2 million for the seven months ended 31 July 2018 to HK\$11.0 million for the seven months ended 31 July 2019 was primarily attributable to the decrease in purchase orders from one of the sub-distributors in Mainland China for the seven months ended 31 July 2019.

Among the geographic areas in which we conducted our business, revenue generated from Macau increased by approximately 15.3% from HK\$437.4 million for the seven months ended 31 July 2018 to approximately HK\$504.2 million for the seven months ended 31 July 2019. The business of our retail stores in Macau was benefited from the increase in number of visitors to Macau especially from Mainland China during the seven months ended 31 July 2019 albeit with declining average spending per visitor. Against this backdrop, we increased our revenue from sales of products through our retail stores in Macau by increasing the average sales floor area from approximately 8,898 sq.m. for the seven months ended 31 July 2018 to 10,097 sq.m. for the seven months ended 31 July 2019, increasing the number of brands of products we sold through our mono-brand stores from 19 brands for the seven months ended 31 July 2018 to 20 brands for the seven months ended 31 July 2019 which brought resultant increase in revenue for the corresponding period and increasing the number of brands of products we sold through our multi-brand stores from 40 brands for the seven months ended 31 July 2018 to 97 brands with the opening WF Fashion for the seven months ended 31 July 2019. We also offered more promotion and discounts to stimulate our sales during the seven months ended 31 July 2019 comparing with the corresponding period in 2018.

Revenue generated from Mainland China increased by approximately 17.9% from HK\$287.7 million for the seven months ended 31 July 2018 to approximately HK\$339.1 million for the seven months ended 31 July 2019. The business of retail stores in Mainland China was benefited from the growth of economy and the increase in disposable income per capita for the seven months ended 31 July 2019. Against this macroeconomic background, we increased our revenue from sales of products through retail stores in Mainland China by increasing the average sales floor area from approximately 18,430 sq.m. for the seven months ended 31 July 2018 to 22,595 sq.m. for the seven months ended 31 July 2019, increasing the number of brands of products we sold through our mono-brand store from 12 brands and for the seven months ended 31 July 2018 to 16 brands for the seven months ended 31 July 2019 which brought resultant increase in revenue for the corresponding period. We also offered more promotion and discount during the seven months ended 31 July 2019 to procure higher consumer spending.

Revenue generated from Hong Kong and Taiwan increased by approximately 54.8% from HK\$31.3 million for the seven months ended 31 July 2018 to approximately HK\$48.5 million for the seven months ended 31 July 2019. Hong Kong experienced a declining trend in retail sales on a year-on-year basis for the seven months ended 31 July 2019, reflecting the cautious consumption sentiment. Against this macroeconomic background, we increased our revenue from sales of products by increasing the average sales floor area in Hong Kong and Taiwan from approximately 997 sq.m. for the seven months ended 31 July 2018 to 1,651 sq.m. for the seven months ended 31 July 2019. During the seven months ended 31 July 2019, we opened three mono-brand stores in Taiwan and generated revenue of approximately HK\$2.9 million.

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Cost of sales

Our cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products through our self-operated stores and online platform, wholesale and the cost of store management and consignment services rendered to the brand owners. The cost of inventories sold accounted for approximately 94.6% and 89.4% of the total cost of sales for the seven months ended 31 July 2018 and 2019 respectively. Our cost of sales increased by 19.3% from approximately HK\$350.4 million for the seven months ended 31 July 2018 to approximately HK\$417.9 million for the seven months ended 31 July 2019, primarily attributable to increased sales of apparel products resulting in the increase in cost of inventories sold.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately HK\$68.0 million or 16.8% from approximately HK\$406.0 million for the seven months ended 31 July 2018 to approximately HK\$474.0 million for the seven months ended 31 July 2019. The increase in our gross profit was mainly contributed by the increase in gross profit from Mainland China of approximately HK\$36.4 million.

Our gross profit margin decreased from approximately 53.7% for the seven months ended 31 July 2018 to approximately 53.1% for the seven months ended 31 July 2019. The decrease in gross profit margin for the seven months ended 31 July 2019 was mainly attributable to the decrease in gross profit margin of sales in Macau from approximately 60.2% for the seven months ended 31 July 2018 to approximately 56.8% resulting from more discount offered.

Other income

Other income decreased by 84.1% from approximately HK\$3.2 million for the seven months ended 31 July 2018 to approximately HK\$508,000 for the seven months ended 31 July 2019, primarily attributable to the decrease in compensation received for the delayed opening of stores from approximately HK\$2.1 million for the seven months ended 31 July 2018 to nil for the seven months ended 31 July 2019.

Other gains, net

Other gains amounted to approximately HK\$3.9 million for the seven months ended 31 July 2019 as compared to other net losses of approximately HK\$3.2 million for the seven months ended 31 July 2018. Other gains recorded in the seven months ended 31 July 2019 mainly comprised fair value gains on financial liabilities at fair value through profit or losses of approximately HK\$4.4 million which represented the decrease in fair value on the financial liabilities arising from the call options granted to the minor shareholder of NB China. The net losses recorded in the seven months ended 31 July 2018 mainly represented the exchange loss of approximately HK\$2.6 million.

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Selling and marketing expenses

Selling and marketing expenses increased by 21.8% from approximately HK\$286.3 million for the seven months ended 31 July 2018 to approximately HK\$348.8 million for the seven months ended 31 July 2019, primarily due to the increase in expenses related to right-of-use assets of approximately HK\$28.3 million resulting from opening retail stores, resulting in an increase of average sales floor area from approximately 28,324 sq.m. for the seven months ended 31 July 2018 to 34,343 sq.m. for the seven months ended 31 July 2019; and the increase in employee benefit expenses of approximately HK\$19.1 million resulting from the increase in number of headcount of sales and marketing staff and the increase in salary, sales commission and bonus payable to the sales and marketing staff for the seven months ended 31 July 2019.

General and administrative expenses

General and administrative expenses increased by 49.7% from approximately HK\$46.6 million for the seven months ended 31 July 2018 to approximately HK\$69.7 million for the seven months ended 31 July 2019, primarily due to the listing expenses of approximately HK\$16.6 million incurred in the seven months ended 31 July 2019 and the increase in employee benefit expenses of approximately HK\$4.7 million resulting from the increase in headcount of administrative staff and the increase in salary and bonus payable to the administrative staff.

Finance costs, net

Net finance costs increased by approximately 36.3% from approximately HK\$13.6 million for the seven months ended 31 July 2018 to approximately HK\$18.6 million for the seven months ended 31 July 2019. The increase was mainly due to the increase in interest expenses on leasing liabilities of approximately HK\$2.5 million resulting from increase in number of right-of-use assets in respect of the retail stores from 200 retail stores as at 31 July 2018 to 225 retail stores as at 31 July 2019; and the increase in interest expenses on borrowings of approximately HK\$2.5 million as a result of the increase in utilisation of bank borrowings for the seven months ended 31 July 2019 as compared to that for the seven months ended 31 July 2018.

Income tax expense

Income tax expense increased by approximately 45.4% from approximately HK\$7.8 million for the seven months ended 31 July 2018 to approximately HK\$11.3 million for the seven months ended 31 July 2019. The increase was mainly due to the increase in listing expenses of approximately HK\$16.6 million which were non-deductible expenses. Our effective tax rate, which is calculated based on income tax expense divided by profit before income tax, was approximately 13.1% and 27.4% for the seven months ended 31 July 2018 and 2019, respectively.

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Profit for the year and net profit margin

As a result of the foregoing, our net profit decreased by approximately 41.9% from approximately HK\$51.7 million for the seven months ended 31 July 2018 to approximately HK\$30.0 million for the seven months ended 31 July 2019. Our net profit margin decreased from approximately 6.8% for the seven months ended 31 July 2018 to approximately 3.4% for the seven months ended 31 July 2019, primarily due to the rate of increase of both selling and marketing expenses of approximately 21.8% and general and administrative expenses of approximately 49.7%, which included listing expenses of approximately HK\$16.6 million, having surpassed the growth rate of revenue of approximately 17.9%. The growth rate of revenue for the seven months ended 31 July 2019 was lower than that of FY2018, which was mainly due to the declining average spending per visitor recorded in Macau. Had the listing expenses been excluded, the profit for the year and net profit margin for the seven months ended 31 July 2019 would be approximately HK\$46.6 million and 5.2% respectively, representing a decrease of net profit amount of approximately HK\$5.3 million and a decrease in net profit margin of approximately 1.6% from approximately 6.8% for the seven months ended 31 July 2018 to 5.2% for the seven months ended 31 July 2019. Such decrease in net profit margin for the seven months ended 31 July 2019 was mainly attributable to (i) the decrease in gross profit margin by approximately 0.6% resulting from more discount being offered to promote sales; and (ii) the increase in both expenses relating to the rental of retail stores (expressed as depreciation of right-of-use assets and lease expenses) and employee benefits included in our selling and marketing expenses causing a drop of net profit margin of approximately 1.2%. The increase in the number of retail stores and the corresponding increase in manpower, which had all along been our plan for expanding our sales scale, from 192 average retail stores operated in the seven months ended 31 July 2018 to 223 average retail stores operated during the seven months ended 31 July 2019, representing the growth rate of average floor area we managed of approximately 21.2%, was higher than the growth rate of our revenue of approximately 17.9% for the same period. Our Directors believe that this would bring long term growth in revenue but impacted negatively the overall operational efficiency in short term.

Total comprehensive income

Total comprehensive income amounted to approximately HK\$29.5 million for the seven months ended 31 July 2019 as compared to other comprehensive income amounted to approximately HK\$47.6 million for the seven months ended 31 July 2018, which was mainly due to decrease in loss of the currency translation differences from approximately HK\$4.1 million for the seven months ended 31 July 2018 to approximately HK\$554,000 and the listing expenses incurred of approximately HK\$16.6 million for the seven months ended 31 July 2019.

FY2018 Compared to FY2017

Revenue

Our revenue increased by approximately 26.1% from approximately HK\$1,066.6 million for FY2017 to approximately HK\$1,344.9 million for FY2018. The increase in our revenue, being

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our sales growth of retail business in Macau and Mainland China, was primarily due to combined effect of the increase of average sales floor area, from approximately 26,547 sq.m. for FY2017 to 30,146 sq.m. for FY2018 and the increase in five new brands from 23 brands as at 31 December 2017 to 28 brands as at 31 December 2018. The revenue from these new brands brought approximately HK\$21.3 million for FY2018.

The revenue generated from our retail channels accounted for approximately 95.2% of the total revenue for FY2018 comparing with 94.5% for FY2017. Among the retail revenue, revenue from our self-operated retail stores accounted for approximately 99.9% of the revenue from retail channels for FY2018 and FY2017 and the rest was revenue from online sales. The revenue generated from our mono-brand retail stores increased from approximately HK\$861.4 million for FY2017 to HK\$1,073.6 million for FY2018, representing an increase of approximately 24.6%. The revenue generated from our multi-brand retail stores increased from approximately HK\$146.4 million for FY2017 to HK\$204.4 million for FY2018, representing an increase of approximately 39.6%.

The decrease in revenue generated from store management services from approximately HK\$32.4 million for FY2017 to HK\$29.3 million for FY2018 was mainly attributable to the increase of proportion of rental expenses of managed stores directly borne by the customers resulting in reduction of services fees received in FY2018. The increase in revenue from wholesale from approximately HK\$25.9 million for FY2017 to HK\$37.0 million for FY2018 was mainly due to more orders were made by two sub-distributors in Mainland China for FY2018.

Among the geographical areas in which we conducted our business, revenue generated from Macau increased by approximately 33.2% from HK\$581.5 million for FY2017 to approximately HK\$774.3 million for FY2018. The business of retail stores in Macau was benefited from the increase in number of visitors especially from Mainland China and the increase in average spending per capita during FY2018. Against this backdrop, we increased our revenue from sales of products through retail stores in Macau by increasing the average sales floor area from approximately 7,996 sq.m. for FY2017 to 8,776 sq.m. for FY2018 and increasing the number of brands operated under our mono-brand stores from 17 brands for FY2017 to 20 brands for FY2018. These new brands contributed approximately HK\$23.3 million for FY2018.

Revenue generated from Mainland China increased by approximately 12.3% from HK\$450.8 million for FY2017 to approximately HK\$506.5 million for FY2018. The business of retail stores in Mainland China was benefited from the growth of economy and the increase in disposable income per capita in FY2018. Against this macroeconomic background, we increased our revenue from sales of products through retail stores in Mainland China by increasing the average sales floor area from approximately 18,226 sq.m. for FY2017 to 20,373 sq.m. for FY2018.

Revenue generated from Hong Kong increased by approximately 86.9% from HK\$34.3 million for FY2017 to approximately HK\$64.1 million for FY2018. The business of retail stores in Hong Kong was benefited from the growth of economy and the increase in the value of total retail sales in FY2018. Against this macroeconomic background, we increased our revenue from

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sales of products through retail stores in Hong Kong by increasing the average sales floor area from approximately 326 sq.m. for FY2017 to 997 sq.m. for FY2018.

Cost of sales

Our cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products through our self-operated stores, online platform and wholesale channel and the cost of store management services rendered to the brand owners. The cost of inventories sold accounted for approximately 93.9% and 95.7% of the total cost of sales for FY2017 and FY2018 respectively.

Our cost of sales increased by 28.9% from approximately HK\$476.6 million for FY2017 to approximately HK\$614.5 million for FY2018, primarily attributable to increased sales of fashion apparel and lifestyle products through our retail stores which led to the increase in cost of inventories sold.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately HK\$140.4 million or 23.8% from approximately HK\$590.0 million for FY2017 to approximately HK\$730.4 million for FY2018. The increase in our gross profit was mainly due to the increase in our revenue generated from our sales in retail stores with more sales floor area and additional brands in our brand portfolio to operate.

Our gross profit margin decreased slightly from approximately 55.3% for FY2017 to approximately 54.3% FY2018. The decrease in gross profit margin for FY2018 was mainly attributable to the decrease in gross profit margin of sales in Mainland China from approximately 50.2% for FY2017 to 46.0% for FY2018. Such decrease was mainly caused by more discounts offered during FY2018 in our retail stores in Mainland China than that of FY2017.

Other income

Other income decreased by 8.4% from approximately HK\$9.0 million for FY2017 to approximately HK\$8.2 million for FY2018, primarily attributable to decrease in compensation for delayed opening of stores of approximately HK\$5.3 million; which was partially offset by the increase in subsidies received from a brand owner on operating loss of approximately HK\$3.8 million.

Other losses, net

Other net losses amounted to approximately HK\$3.2 million for FY2018 as compared to approximately HK\$4.2 million for FY2017. Other net losses mainly comprised fair value changes on financial liabilities at fair value through profit or losses, gain/(loss) on disposal of properties, plant and equipment and exchange differences. The decrease in other net losses was

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mainly due to the increase in exchange loss of approximately HK\$3.6 million and partially offset by the increase in gains on early termination of lease of approximately HK\$0.7 million and other gains of approximately HK\$2.2 million.

Selling and marketing expenses

Selling and marketing expenses increased by 19.5% from approximately HK\$426.4 million for FY2017 to approximately HK\$509.4 million for FY2018, primarily due to the increase in expenses related to right-of-use assets of approximately HK\$37.1 million resulting from renting 16 more retail stores for FY2018 comparing with FY2017; and the increase in employee benefit expenses of approximately HK\$41.8 million resulting from both increase in number of headcount of sales and marketing staff and the increase in salary, sales commission and bonus payable to the sales and marketing staff FY2018.

General and administrative expenses

General and administrative expenses increased by 7.0% from approximately HK\$69.7 million for FY2017 to approximately HK\$74.6 million for FY2018, primarily due to the increase in employee benefit expenses of approximately HK\$9.0 million resulting from the increase in headcount of administrative staff and the increase in salary and bonus payable to the administrative staff.

Finance costs, net

Net finance costs increased by approximately 9.7% from approximately HK\$22.6 million for FY2017 to approximately HK\$24.8 million for FY2018. The increase was mainly due to the increase in interest expenses of approximately HK\$1.8 million on borrowings as a result of increasing bank borrowing during FY2018.

Income tax expense

Income tax expense increased by approximately 12.8% from approximately HK\$16.0 million for FY2017 to approximately HK\$18.0 million for FY2018. The increase was mainly due to the increase in profit before income tax by approximately 66.3% (as mainly driven by the increase in gross profit resulted from the increase in revenue for FY2018). Our effective tax rate, which is calculated based on income tax expense divided by profit before income tax, was approximately 21.0% and 14.2% for FY2017 and FY2018, respectively. The lower effective tax rate recorded in FY2018 was mainly due to the proportion of segment profit after selling and distribution expenses of Macau operation which profit tax rate is lower than the Greater China, increased from approximately 53.6% of total segment profit after selling and distribution expenses for FY2017 to approximately 74.1% for FY2018.

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Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately HK\$48.4 million from approximately HK\$60.2 million for FY2017 to approximately HK\$108.6 million for FY2018. Our net profit margin increased from approximately 5.6% for FY2017 to approximately 8.1% for FY2018, primarily due to the our effective cost control on the selling and marketing expenses and general and administrative expenses in which these expenses only accounted for approximately 43.4% of our revenue for FY2018 as compared to approximately 46.5% of our revenue for FY2017.

Total comprehensive income

Total comprehensive income amounted to approximately HK\$103.1 million for FY2018 as compared to total comprehensive income amounted to approximately HK\$67.2 million for FY2017, which was mainly due to increase in the profit in FY2018.

FY2017 Compared to the FY2016

Revenue

Our revenue increased by approximately 12.3% from approximately HK\$950.1 million for FY2016 to approximately HK\$1,066.6 million for FY2017. The increase in our revenue, being our sales growth of retail business in Macau and Mainland China, was primarily due to combined effect of the increase of average sales floor area from approximately 26,026 sq.m. for FY2016 to 26,547 sq.m. for FY2017 and the increase of four brands operated under mono-brand stores which contributed revenue of approximately HK\$42.1 million for FY2017.

The revenue generated from our retail channels accounted for approximately 94.5% of the total revenue for FY2017 comparing with 95.2% for FY2016. Among the retail revenue, revenue from our self-operated retail stores accounted for approximately 99.9% of the revenue from retail channels for FY2017 and FY2016 and the rest was revenue from online sales. The revenue generated from our mono-brand retail stores increased from approximately HK\$772.5 million for FY2016 to HK\$861.4 million for FY2017, representing an increase of approximately 11.5%. The revenue generated from our multi-brand retail stores increased from approximately HK\$131.7 million for FY2016 to HK\$146.4 million for FY2017, representing an increase of approximately 11.2%.

The revenue generated from store management services decreased slightly from approximately HK\$32.5 million for FY2016 to HK\$32.4 million for FY2017. The increase in revenue from wholesale from approximately HK\$13.3 million for FY2016 to HK\$25.9 million for FY2017 was mainly due to more orders were made by two sub-distributors in Mainland China for FY2018.

Among the geographical areas in which we conducted our business, revenue generated from Macau increased by approximately 11.2% from HK\$522.9 million for FY2016 to approximately

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HK\$581.5 million for FY2017. The business of retail stores in Macau was benefited from the increase in number of visitors especially from Mainland China and the increase in average spending per capita during FY2017. Against this backdrop, we increased our revenue from sales of products through retail stores in Macau by increasing the average sales floor area from approximately 7,277 sq.m. for FY2016 to 7,996 sq.m. for FY2017 and number of brands operated under mono-brand stores from 14 brands for FY2016 to 17 brands for FY2017. The revenue from these new brands brought approximately HK\$3.8 million for FY2017.

Revenue generated from Mainland China increased by approximately 8.5% from HK\$415.6 million for FY2016 to approximately HK\$450.8 million for FY2017. The business of retail stores in Mainland China was benefited from the growth of economy and the increase in disposable income per capita in FY2017. Against this macroeconomic background, we increased our revenue from sales of products through retail stores in Mainland China by increasing in number of brands operated under mono-brand stores from 11 brands for FY2016 to 12 brands for FY2017. We opened 13 retail stores for the new brand, *Under Armour*, which generated revenue of approximately HK\$21.6 million for FY2017.

Revenue generated from Hong Kong and Taiwan increased by approximately 194.8% from HK\$11.6 million for FY2016 to approximately HK\$34.3 million for FY2017. The business of retail stores in Hong Kong was benefited from the growth of economy and the increase in the value of total retail sales in FY2017. Against this macroeconomic background, we increased our revenue from sales of products through retail stores in Hong Kong by increasing the average sales floor area from approximately 43 sq.m. for FY2016 to 326 sq.m. for a new brand named *Under Armour* which contributed approximately HK\$14.2 million for FY2017.

Cost of sales

Our cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products through our self-operated stores, online platform and wholesale channels and the cost of store management services rendered to the brand owners. The cost of inventories sold accounted for approximately 92.3% and 93.9% of the total cost of sales for FY2016 and FY2017 respectively. Our cost of sales increased by 4.8% from approximately HK\$454.9 million for FY2016 to approximately HK\$476.6 million FY2017, primarily due to increased sales of apparel products resulting in the increase in cost of inventories sold.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately HK\$94.7 million or 19.1% from approximately HK\$495.3 million for FY2016 to approximately HK\$590.0 million for FY2017. The increase in our gross profit was mainly due to the increase in revenue of approximately 12.3% and fact that there was a provision for inventories of approximately HK\$7.8 million in FY2016 while there was a claw back of provision for inventories of approximately HK\$0.9 million in FY2017.

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Our gross profit margin increased from approximately 52.1% FY2016 to approximately 55.3% for FY2017 representing an increment of 3.2%. The increase in gross profit margin for FY2017 was mainly due to (1) decrease in provision for inventories of approximately HK\$8.7 million; (2) shift of focus on higher value brands sold in Macau, mainly *Neil Barrett* and *Ed Hardy* with higher gross profit margins which revenue thereof accounted for 22.9% of total revenue of FY2017 comparing to 17.2% of total revenue for FY2016. As such, the gross profit margin of sales in Macau was improved from approximately 54.7% for FY2016 to 58.8% for FY2017; and (3) less discount was offered in sales in Mainland China for FY2017 resulting in increase of gross profit margin of approximately 48.6% for FY2016 to 50.2% for FY2017, in light of higher disposable income per capita in FY2017.

Other income

Other income increased by 4154.5% from approximately HK\$211,000 for FY2016 to approximately HK\$9.0 million for FY2017, primarily due to the increase in sale of exhibition materials to two sub-distributors of approximately HK\$1.5 million and a compensation recognized for delayed opening of stores from a shopping mall landlord of approximately HK\$7.5 million.

Other losses, net

Other net losses amounted to approximately HK\$4.2 million for FY2017 as compared to other net losses approximately HK\$6.3 million for FY2016. Other losses decreased by approximately HK\$2.1 million mainly due to decrease in net loss on capital expenditure projects of approximately HK\$2.3 million.

Selling and marketing expenses

Selling and marketing expenses increased by 5.8% from approximately HK\$403.2 million for FY2016 to approximately HK\$426.4 million for FY2017, primarily attributable to (i) the increase in impairment loss on property, plant and equipment and impairment loss on right-of-use of approximately HK\$6.7 million; (ii) the increase in employee benefit expenses of approximately HK\$7.2 million resulting from both the increase in number of employees of sales and the increase in salary and bonus paid to the sales staff for FY2017; (iii) the increase in operating lease expenses of approximately HK\$6.5 million; and partially offset by; (4) the decrease in expenses of approximately HK\$4.5 million related to right-of-use assets resulting from renting one less retail stores for FY2017 comparing with FY2016.

General and administrative expenses

General and administrative expenses increased by 30.9% from approximately HK\$53.3 million for FY2016 to approximately HK\$69.7 million for FY2017, primarily due to the increase in employee benefit expenses of approximately HK\$5.9 million resulting from the increase in salary and bonus to the administrative staff; and the increase in depreciation of property, plant and equipment and right-of-use assets of approximately HK\$3.8 million.

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Finance costs, net

Net finance costs decreased by approximately 12.2% from approximately HK\$25.8 million for FY2016 to approximately HK\$22.6 million for FY2017. The decrease was mainly due to (1) the decrease in interest expenses on leasing liabilities of approximately HK\$1.8 million resulting from the decrease in number of right-of-use assets in respect of the retail stores from 188 retail stores as at 31 December 2016 to 184 retail stores as at 31 December 2017; (2) the decrease in interest expenses on borrowings of approximately HK\$1.1 million as a result of slight decrease in bank borrowing.

Income tax expenses

Income tax expense increased by approximately 1255.9% from approximately HK\$1.2 million for FY2016 to approximately HK\$16.0 million for FY2017. The increase was mainly due to the increase in profit before income tax by approximately 993.8% (as mainly driven by the increase in gross profit resulted from increase in revenue for FY2017). Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 16.9% and 21.0% for FY2016 and FY2017, respectively. The increase in effective rate was mainly attributable to increase in the proportion of segment profit after selling and marketing expenses of Mainland China operation which is subject to higher tax rate from approximately 36.1% of total segment profit after selling and marketing expenses for FY2016 to approximately 41.9% of total segment profit after selling and marketing expenses for FY2017 and utilization of tax losses of approximately HK\$2.4 million in FY2016.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately 940.5% from approximately HK\$5.8 million for FY2016 to approximately HK\$60.2 million for FY2017. Our net profit margin increased from approximately 0.6% for FY2016 to approximately 5.6% for FY2017, primarily due to (i) an increment of approximately 3.2% of gross profit margin from approximately 52.1% for FY2016 to 55.3% for FY2017 achieved through better inventory control, focusing on high value brands in Macau and our commencement of the sale of *Under Armour* branded product in Mainland China and Hong Kong in FY2017; and (ii) effective cost control on both selling and distribution expenses and general and administrative expenses which only accounted for approximately 46.5% of our revenue for FY2017 as compared to approximately 48.0% of our revenue for FY2016.

Total comprehensive income

Total comprehensive income amounted to approximately HK\$67.2 million for FY2017 as compared to total comprehensive loss amounted to approximately HK\$611,000 for FY2016, which was mainly due to a loss of the currency translation differences of approximately HK6.4 million of FY2016 and a gain of the currency translation differences of approximately HK\$7.1 million for FY2017 as well as the increase in the profit in FY2018.

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DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statement of financial position as of the date indicated.

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Assets				
Property, plant and equipment	93,786	106,847	111,912	180,858
Right-of-use assets	338,601	305,472	349,555	410,709
Intangible assets	12,931	8,717	7,051	6,254
Investment in insurance contract	28,131	29,199	30,407	31,014
Deferred tax assets	18,328	12,759	13,035	12,750
Prepayment	1,179	16,506	20,819	1,958
Other receivables and deposit	19,429	24,432	23,326	36,666
Non-current assets	512,385	503,932	556,105	680,209
Inventories	256,956	265,269	341,764	426,562
Trade receivable	45,812	57,292	66,846	66,039
Prepayment	35,418	42,395	59,801	59,327
Amount due from related parties	59,579	26,149	24,267	27,011
Other receivables and deposit	44,085	35,891	52,403	51,475
Restricted cash	16,454	33,211	35,927	30,427
Cash and cash equivalents	46,197	84,730	85,731	109,701
Current assets	504,501	544,937	666,739	770,542
Total assets	1,016,886	1,048,869	1,222,844	1,450,751
Equity				
Share capital	—	—	—	—
Share premium	—	—	—	691,000
Reserves	97,982	105,251	100,237	(591,329)
(Accumulated losses)/retained earnings	(18,126)	12,430	104,697	132,693
Non-controlling interest in equity	(5,246)	(5,800)	(1,263)	(208)
Total equity	74,610	111,881	203,671	232,156

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	As of 31 December			As of
	2016	2017	2018	31 July
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Liabilities				
Borrowings	152,160	149,316	133,112	165,735
Lease liabilities	229,602	191,209	226,001	257,815
Provisions	2,344	2,469	2,622	4,421
Financial liabilities at fair value				
through profit or loss	9,422	10,733	11,630	7,241
Other non-current liabilities	2,365	684	6,555	7,121
Deferred tax liabilities	439	537	1,618	2,689
Other payables	34,350	32,420	19,694	9,975
Non-current liabilities	430,682	387,368	401,232	454,997
Trade and other payables	152,036	148,989	195,590	271,814
Amount due to related parties	140,253	148,230	157,399	169,491
Other current liabilities	1,833	2,456	4,145	6,083
Contract liabilities	4,411	1,525	3,203	2,262
Lease liabilities	139,001	151,742	157,783	184,431
Provisions	1,004	3,268	3,704	3,079
Income tax liabilities	2,709	8,183	18,901	24,956
Borrowings	70,347	85,227	77,216	101,482
Current liabilities	511,594	549,620	617,941	763,598
Total liabilities	942,276	936,988	1,019,173	1,218,595
Total equity and liabilities	1,016,886	1,048,869	1,222,844	1,450,751

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PRINCIPAL FINANCIAL POSITION ITEMS

Property, Plant and Equipment

The following table sets forth our property, plant and equipment at net carrying amounts and as a percentage of total property, plant and equipment as the dates indicated:

	2016		As at 31 December 2017		2018		As at 31 July 2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Buildings	15,728	16.8	15,413	14.4	15,098	13.5	80,615	44.6
Leasehold improvements	70,070	74.7	80,208	75.1	86,684	77.5	90,453	50.0
Vehicle	1,212	1.3	1,671	1.6	1,289	1.1	811	0.4
Office furniture and equipment	5,543	5.9	7,191	6.7	6,716	6.0	6,153	3.4
Computer and electronic equipment	1,233	1.3	2,364	2.2	2,125	1.9	2,826	1.6
Total	<u>93,786</u>	100.0	<u>106,847</u>	100.0	<u>111,912</u>	100.0	<u>180,858</u>	100.0

Our property, plant and equipment primarily consist of buildings, leasehold improvements and office furniture and equipment. As of 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, our property, plant and equipment amounted to approximately HK\$93.8 million, HK\$106.8 million, HK\$111.9 million and HK\$180.9 million, respectively. Our property, plant and equipment increased from approximately HK\$93.8 million as at 31 December 2016 to HK\$106.8 million as at 31 December 2017 primarily attributable to the additions of leasehold improvements for new retail shops opened for the year of approximately HK\$62.5 million which were offset by depreciation and impairment of leasehold improvements of approximately HK\$52.5 million.

Our property, plant and equipment increased from approximately HK\$106.8 million as at 31 December 2017 to HK\$111.9 million as at 31 December 2018 primarily attributable to additions of property, plant and equipment for the year of approximately HK\$61.5 million, which were partially offset by depreciation charges and impairment provision of approximately HK\$49.6 million and HK\$3.6 million, respectively. The significant additions for the year were primarily the leasehold improvements of 66 new retail stores opened during FY2018.

Our property, plant and equipment increased from approximately HK\$111.9 million as at 31 December 2018 to HK\$180.9 million as at 31 July 2019 primarily attributable to additions of property, plant and equipment for the year of approximately HK\$109.5 million, which were partially offset by depreciation charges of approximately HK\$36.2 million. The significant additions for the seven months ended 31 July 2019 were primarily the building located in Macau acquired of approximately HK\$66.2 million for directors' quarter and leasehold improvement of approximately HK\$40.1 million in respect of 21 new retail stores opened during the seven months ended 31 July 2019.

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As at 31 December, 2016, 2017, and 2018, no property, plant, and equipment was pledged as security. As at 31 July, 2019, a building amounted to HKD63.4 million was pledged for a first mortgage of bank borrowings.

As at 31 July 2019, the latest date of our financial statements, the carrying amount of our property interests, as defined in Rule 5.01(3) of the Listing Rules, forming part of our Group's non-property activities accounted for less than 15% of our total assets. As such, we have not included a property valuation report in this prospectus.

Right-of-use assets

Right-of-use assets represent the capitalisation of the rental payments under the leases of properties. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The following table sets forth our right-of-use assets at net carrying amounts and as a percentage of total right-of-use assets as the dates indicated:

	FY2016		FY2017		FY2018		As of 31 July 2019	
	HKD'000	% HKD'000	HKD'000	% HKD'000	HKD'000	% HKD'000	HKD'000	%
Retail stores	326,455	96.4	283,127	92.7	334,139	95.6	396,273	96.5
Vehicle	2,071	0.6	1,371	0.4	1,302	0.4	3,256	0.8
Office	<u>10,075</u>	3.0	<u>20,974</u>	6.9	<u>14,114</u>	4.0	<u>11,180</u>	2.7
	<u>338,601</u>	100.0	<u>305,472</u>	100.0	<u>349,555</u>	100.0	<u>410,709</u>	100.0

Our right-of-use assets primarily consist of retail stores and office. As of 31 December 2016, 2017 and 2018 and 31 July 2019, our right-of-use assets amounted to approximately HK\$338.6 million, HK\$305.5 million, HK\$349.6 million and HK\$410.7 million, respectively. Our right-of-use assets decreased from 31 December 2016 to 31 December 2017 primarily attributable to depreciation of approximately HK\$164.9 million incurred which was offset by the additions of approximately HK\$130.4 million for FY2017.

Our right-of-use assets increased from 31 December 2017 to 31 December 2018 primarily attributable to additions of leased assets for the year of approximately HK\$229.6 million, which were partially offset by depreciation charges of approximately HK\$175.8 million. The significant additions for the year were primarily the lease of 66 new retail stores which were opened during FY2018.

Our right-of-use assets increased from 31 December 2018 to 31 July 2019 primarily due to additions of leased assets for the year of approximately HK\$203.4 million, which were partially offset by depreciation charges of approximately HK\$131.6 million. The significant additions for the seven months ended 31 July 2019 were primarily the lease of 21 new retail stores.

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Intangible assets

The intangible assets mainly consist of software and license rights. The intangible assets decreased by approximately HK\$4.2 million from approximately HK\$12.9 million as at 31 December 2016 to approximately HK\$8.7 million as at 31 December 2017 mainly attributable to amortisation of approximately HK\$4.4 million without any material addition for FY2017. The intangible assets further decreased to HK\$7.1 million as at 31 December 2018 due to amortisation of approximately HK\$4.6 million.

Our intangible assets decreased by approximately HK\$0.8 million from approximately HK\$7.1 million as at 31 December 2018 to HK\$6.3 million as at 31 July 2019 primarily attributable to amortisation charges of approximately HK\$2.3 million which were partially offset by additions of license rights for the year of approximately HK\$1.5 million.

Investment in insurance contract

The investment in insurance contract represents the investments in life insurance product issued by HSBC to Ms. Fan Tammy, our executive Director, approximates HK\$31.0 million as at 31 July 2019, which has been pledged to the bank for credit facility. The effective date of the insurance was 22 September 2015 with a sum insured of USD11.2 million. A guaranteed minimum crediting rate of 2% applies to the insurance. The investment in insurance contract have been kept throughout the Track Record Period without any change.

Inventories

Our inventories consist of fashion apparels and accessories which are stated at lower of cost and net realizable value. We monitor and review our inventory levels on a regular basis to minimize the risk of unnecessary inventory build-up. We plan our purchase of brand apparel products to meet the expected customer demands in a timely manner without weakening our liquidity. Our inventories accounted for approximately 50.9%, 48.7%, 51.3% and 55.3% of our total current assets as of 31 December 2016, 2017 and 2018 and 31 July 2019, respectively.

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The following table sets forth the component of inventories as of the date indicated:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Fashion wears and accessories	285,509	293,667	369,376	456,986
Less: provision for impairment	<u>(28,553)</u>	<u>(28,398)</u>	<u>(27,612)</u>	<u>(30,424)</u>
	<u>256,956</u>	<u>265,269</u>	<u>341,764</u>	<u>426,562</u>
 Average inventory turnover days ^(Note)	 199	 200	 180	 193

Note: The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period.

As of 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, we had inventories in the amount of approximately HK\$257.0 million, HK\$265.3 million, HK\$341.8 million and HK\$426.6 million, respectively. The increase in our inventories from 31 December 2016 to 31 July 2019 were primarily due to the increase in sales of our retail stores throughout the Track Record Period.

Our inventory turnover days were maintained at about 199 days for FY2016 and 200 days for FY2017. Our inventory turnover days decreased from 200 days in FY2017 to 180 days in FY2018, primarily attributable to close monitor of aged inventory with promotion measures to speed up the turnover in FY2018. Our inventory turnover days later increased to 193 days for the seven months ended 31 July 2019 mainly attributable to the increase in inventory during June and July 2019 for meeting the demand of changing season.

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The table below sets forth the aging analysis of our inventory as of the dates indicated.

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Within 6 months	151,417	187,642	212,616	279,946
Over 6 and within 12 months	53,133	33,175	49,619	106,723
Over 12 and within 18 months	33,622	30,282	72,207	22,273
Over 18 and within 24 months	13,336	20,437	6,760	15,711
Over 24 and within 30 months	34,001	5,191	5,219	12,156
Over 30 months	–	16,940	22,955	20,177
	<u>285,509</u>	<u>293,667</u>	<u>369,376</u>	<u>456,986</u>

We implement inventory management to minimise the amount of inventory of seasonal apparel carried over from any one season to the next. As such, the inventory of aging within one year accounted for approximately 71.7%, 75.2%, 71.0% and 84.6% of the gross inventories as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The inventory of aging over one year and within two years accounted for approximately 16.4%, 17.3%, 21.4% and 8.3% of the gross inventories as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The inventory of aging over two years accounted for approximately 11.9%, 7.5%, 7.6% and 7.1% of the gross inventories as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The improvement in aging recorded as of 31 July 2019 reflected the effect of the marketing strategy in promoting sales in the seven months ended 31 July 2019.

We make provisions to write down our inventories to the net realizable value if their expected net realizable value is lower than the cost of the inventories. We managed to control the inventory levels in optimal levels by promoting the slow-moving inventories to end customers through discount and gifts. In general, after the first year, a product becomes off-season and increasing discount rate will be applied to the off season products according to the aging of the products. We have a general guideline that a provision of 100%, 80% and 10% will be applied to the inventories with aging over thirty months, aging over twenty four months and within thirty months and aging over eighteen months and within twenty four months, respectively. This guideline is made based on the past experience in offering discount to sell off-season products. We regularly review the guideline by comparing the actual discount offered to dispose products of different aging to the discount allowed in the guideline and make necessary adjustment if necessary. The guideline has been applied throughout the Track Record Period without significant changes. We also evaluate the sufficiency of provisions by considering the economic condition of the stores located, market condition, changes in customer tastes and historical retail patterns of inventory sold at full price, marked down during promotion and clearance for off season inventories on a brand-by-brand basis. The provision will be made to reflect the shortfall between the cost and the net realisable value by reference to the

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estimated selling price after discount. The provision for impairment was kept at a level of approximately HK\$27.6 million to HK\$30.4 million, representing 10.0%, 9.7%, 7.5% and 6.7% of the gross inventories as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The provision for impairment in terms of percentage of the gross inventories decreased from approximately 10.0% as at 31 December 2016 to 6.7% as at 31 July 2019 primarily reflected the decrease in the inventory aging over 24 months.

As at 31 October 2019, inventories with the carrying amounts of approximately HK\$168.1 million, representing approximately 36.8% of the inventories balance as at 31 July 2019, has been sold or utilised.

Trade Receivables

Our trade receivables are primarily the receivables due from shopping malls where our retail stores are located who would centrally collect all the revenue and settle with our Group quarterly or the receivables due from credit card companies with good reputation. The following table sets forth the components of our trade receivables as of the date indicated:

	As of 31 December			As of
	2016	2017	2018	31 July
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Trade receivables	45,812	57,292	66,846	66,039
Less: provision for impairment of trade receivables	—	—	—	—
Net trade receivables	<u>45,812</u>	<u>57,292</u>	<u>66,846</u>	<u>66,039</u>
Average trade receivable turnover days	<u>17</u>	<u>18</u>	<u>17</u>	<u>16</u>

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The credit terms of trade receivables granted by our Group are generally one to three months. The average trade receivable turnover days was maintained at the range from 16 days to 18 days during the Track Record Period. We review the risk associated with the trade receivables and consider the credit risk of trade receivables is low and no impairment is necessary. The following table sets forth the aging analysis and turnover days of our trade receivables as of the date indicated:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Within 3 months	45,415	56,893	65,265	63,796
Over 3 months and within 6 months	276	82	1,062	1,116
Over 6 months and within 1 year	121	317	519	1,127
Total	45,812	57,292	66,846	66,039

As at 31 October 2019, the subsequent settlement of our trade receivables amounted to approximately HK\$58.6 million, 88.8% of our gross trade receivables as of 31 July 2019.

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Prepayments

The prepayments represent primarily the prepayments to supplier for securing the products for sales and prepayment for buildings. The following table sets forth the components of our prepayments as of the date indicated:

	As of 31 December			As of
	2016	2017	2018	31 July
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Included in current assets				
– Prepayments to supplier	33,350	40,202	55,412	48,641
– Capitalised listing expense	–	–	594	5,700
– Other prepayments	2,068	2,193	3,795	4,986
	<u>35,418</u>	<u>42,395</u>	<u>59,801</u>	<u>59,327</u>
Included in non-current assets				
– Prepayments for leasehold improvement and furniture	1,179	723	5,036	1,958
– Prepayments for buildings	–	15,783	15,783	–
	<u>1,179</u>	<u>16,506</u>	<u>20,819</u>	<u>1,958</u>
	<u>36,597</u>	<u>58,901</u>	<u>80,620</u>	<u>61,285</u>

The prepayments classified as non-current assets represent the prepayments for capital expenditure not utilised within one year. The prepayments classified as current assets were mainly prepayments to suppliers which increased from approximately HK\$35.4 million as at 31 December 2016 to HK\$42.4 million as of 31 December 2017 and then increased to approximately HK\$59.8 million as of 31 December 2018. The prepayments included in current assets increased to approximately HK\$59.3 million as of 31 July 2019. The growth of balances of prepayments during the Track Record Period was primarily due to the increase in purchase of fashion brand products from the suppliers and the capitalised listing expense of approximately HK\$5.7 million as of 31 July 2019.

The non-current portion of prepayments are mainly the prepayments for acquiring the leasehold improvement for new retail stores and the deposits paid for acquiring buildings in Macau. The prepayment for buildings amounting to approximately HK\$15.8 million was utilised in acquisition of the buildings in Macau in February 2019.

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Other Receivables and deposit

Our other receivables and deposit mainly comprised rental deposits paid for the leased assets and value-added tax recoverable. The following table sets forth the components of our other receivables and deposits as of the date indicated:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Included in current assets				
– Rental deposits	20,892	18,182	21,098	21,274
– Value-added tax recoverable	11,804	7,263	11,646	8,994
– Loan to third parties	9,592	–	–	–
– Compensation receivables	–	7,479	9,618	9,618
– Staff advance	502	876	1,019	975
– Construction allowance receivables	–	–	6,500	6,500
– Others	1,295	2,091	2,522	4,114
	<u>44,085</u>	<u>35,891</u>	<u>52,403</u>	<u>51,475</u>
Included in non-current assets				
– Rental deposits	<u>19,429</u>	<u>24,432</u>	<u>23,326</u>	<u>36,666</u>
	<u>63,514</u>	<u>60,323</u>	<u>75,729</u>	<u>88,141</u>

The rental deposits increased from approximately HK\$40.3 million as of 31 December 2016 to approximately HK\$44.4 million as of 31 December 2018 mainly attributable to more deposits placed for leasing the retail shops. The rental deposits increased from approximately HK\$44.4 million as of 31 December 2018 to approximately HK\$57.9 million as of 31 July 2019 primarily attributable to more deposits placed for leasing four additional retail shops in the seven months ended 31 July 2019.

The loan to third parties was interest free advances made to two salon shops who owned and operated by a third party. The loan was made originally for seeking possibility of co-operation or investment and was repaid during FY2017 without further proceedings. One of these two shops also advanced money to the Group during FY2016 and it was fully repaid during FY2017.

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Our value-added tax (“VAT”) tax recoverable represents the excess of VAT input tax over the VAT output tax at the end of the respective year or period end date which balance can be recovered upon increase of VAT output tax payable upon occurrence of sales or other conditions according to the relevant tax rules and regulations in Mainland China.

Compensation receivables represents the receivable due from the landlord for delayed opening of stores. Construction allowance receivable represents the decoration subsidy receivable from a shopping mall.

Amount due from/(to) related parties

As of 31 December 2016, 2017 and 2018 and 31 July 2019, our amount due from related parties was approximately HK\$59.6 million, HK\$26.1 million, HK\$24.3 million and HK\$27.0 million, respectively. The amounts were unsecured, interest-free with term of one year or repayable on demand. The amounts will be settled prior to the Listing.

As of 31 December 2016, 2017 and 2018 and 31 July 2019, our amount due to related parties was approximately HK\$140.3 million, HK\$148.2 million, HK\$157.4 million and HK\$169.5 million, respectively. Of which the loans from related parties amounted to approximately HK\$120.7 million, HK\$88.3 million, HK\$117.2 million, HK\$115.2 million as of 31 December 2016, 2017 and 2018 and 31 July 2019. These related parties included Mr. Fan and the companies in which he has interest and control. The amounts were unsecured, interest-free except for one-year term loans from Mr. Fan of approximately HK\$77.1 million, HK\$76.7 million, HK\$117.2 million and HK\$115.2 million as of 31 December 2016, 2017 and 2018 and 31 July 2019, respectively, our executive Director which carried interest rate at 2% over Hong Kong Interbank Offered Rate. All these amounts will be settled prior to the Listing.

Cash and Cash Equivalents

Our cash and cash equivalents consist of cash at banks and in hand, and at Alipay. As of 31 December 2016, 2017 and 2018 and 31 July 2019, cash and cash equivalents amounted to approximately HK\$46.2 million, HK\$84.7 million, HK\$85.7 million and HK\$109.7 million, respectively. Our cash and cash equivalents were largely dominated in RMB and Hong Kong dollars.

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Trade and other payables

The following table sets forth the components of our trade and other payables as of the date indicated:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Current				
Trade payables	68,212	85,335	94,101	161,807
Salaries payable	21,503	29,513	42,200	41,815
Variable lease payable	33,163	14,014	25,471	20,100
Loan from third parties	15,181	–	–	–
Other taxes payable	3,977	3,449	4,595	650
License fee payable	3,663	4,066	1,442	1,602
Operating support fund	1,845	1,196	13,353	20,004
Renovation service fee payables	1,314	2,816	3,618	2,524
Other payables	3,178	8,600	10,810	23,312
	<u>152,036</u>	<u>148,989</u>	<u>195,590</u>	<u>271,814</u>
Non-current				
Operating support fund	30,743	32,180	17,256	8,026
License fee payables	2,914	–	2,192	1,949
Other payables	693	240	246	–
	<u>34,350</u>	<u>32,420</u>	<u>19,694</u>	<u>9,975</u>
Trade and other payables	<u><u>186,386</u></u>	<u><u>181,409</u></u>	<u><u>215,284</u></u>	<u><u>281,789</u></u>

Trade payables

Our trade payables relate to purchases of fashion brand products from our suppliers. Our trade payables are non-interesting bearing and are normally settled on 90-day to 120-day terms. Our trade payables increased from approximately HK\$68.2 million as of 31 December 2016 to approximately HK\$85.3 million as of 31 December 2017 and increased to approximately HK\$94.1 million as of 31 December 2018. Our trade payables continued to increase to approximately HK\$161.8 million as of 31 July 2019. The increase in balances of trade payable during the Track Record Period was due to increase in purchase of products for sales.

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The following table sets forth the aging analysis and turnover days of our trade payables as of the date indicated:

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Within 3 months	67,963	69,665	89,595	107,769
Over 3 months and within 1 year	180	15,670	4,506	54,038
Over 1 year	69	–	–	–
Total	68,212	85,335	94,101	161,807
Average trade payables turnover days ^(Note)	43	59	53	64

Note: The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant year/period divided by cost of sales and multiplied by the number of days in the relevant year/period.

The average of trade payables turnover days were relatively stable for each of FY2016, FY2017 and FY2018 and the average trade payable turnover days then increased to approximately 64 days for the seven months ended 31 July 2019, which was primarily due to temporary holdover of payments before 31 July 2019 agreed by a supplier of approximately HK\$60.9 million resulting from the delay in reconciliation of the accounts with this supplier. The reconciliation process was finished by the end of September 2019 and our Group had settled the payment of approximately HK\$43.0 million, representing the majority of the amount outstanding as at 31 July 2019, to this supplier during the period from August 2019 to October 2019.

As at 31 October 2019, approximately HK\$113.5 million or 70.1% of our trade payables outstanding as at 31 July 2019 were settled.

Other payables

Other payables consist of primarily the salaries payable for the prior month before the year or period, accrued variable lease payable and operating support fund provided by the shopping malls for the Group to operate our retail stores. As of 31 December 2016, 2017 and 2018 and 31 July 2019, our other payables were approximately HK\$118.2 million, HK\$96.1 million, HK\$121.2 million and HK\$120.0 million, respectively. The decrease of other payables by approximately HK\$22.1 million from approximately HK\$118.2 million as of 31 December 2016 to HK\$96.1 million as of 31 December 2017 was mainly due to the decrease in loan from third parties of approximately HK\$15.2 million and the decrease in variable lease payable of

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approximately HK\$19.2 million which was partially offset by the increase in salaries payable by approximately HK\$8.0 million from approximately HK\$21.5 million as of 31 December 2016 to approximately HK\$29.5 million as of 31 December 2017. The increase of other payables by approximately HK\$25.1 million from approximately HK\$96.1 million as of 31 December 2017 to HK\$121.2 million as of 31 December 2018 was mainly due to increase in salaries payable by approximately HK\$12.7 million from approximately HK\$29.5 million as of 31 December 2017 to approximately HK\$42.2 million as of 31 December 2018 and increase in variable lease payable by approximately HK\$11.5 million during the same year. The decrease of other payables by approximately HK\$1.2 million from approximately HK\$121.2 million as of 31 December 2018 to HK\$120.0 million as of 31 July 2019 was mainly due to the decrease in variable lease payable of approximately HK\$5.4 million from approximately HK\$25.5 million as of 31 December 2018 to approximately HK\$20.1 million as of 31 July 2019, the decrease in other taxes payables of approximately HK\$3.9 million and the decrease in operating support fund and renovation service fee payables of approximately HK\$3.7 million which was partially offset by the increase in other payables by approximately HK\$12.5 million from approximately HK\$10.8 million as of 31 December 2018 to approximately HK\$23.3 million as of 31 July 2019. The loan from third parties was short term advances without interest received from the party who also received advances from us during FY2016 and it was fully settled during FY2017.

Bank borrowings

Our bank borrowings totaled approximately HK\$222.5 million, HK\$234.5 million, HK\$210.3 million and HK\$267.2 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. For further details, please refer to the paragraph headed “Indebtedness” in this section of this prospectus.

Lease liabilities

Our Group has adopted IFRS 16 for the Track Record Period as stated in note 2.24 of the Accountants’ Report in Appendix I to this prospectus. Under IFRS 16, leases have recognized in the form of right-of-use assets and financial liabilities as payment obligation in our consolidated statement of financial position for the Track Record Period. The total lease liabilities as at 31 December 2016, 2017 and 2018 and 31 July 2019 were approximately HK\$368.6 million, HK\$343.0 million, HK\$383.8 million and HK\$442.2 million, respectively. For further details, please refer to the paragraph headed “Indebtedness” in this section of this prospectus.

Provisions

The provisions represent the make good provision and legal claim provision. The make good provision represents the present value of the estimated expenditure required to remove any leasehold improvements for restoration of leased retail stores to their original condition upon expiry of the respective lease terms pursuant to the lease agreements with the landlords. As at 31 December 2016, 2017 and 2018 and 31 July 2019, the make good provision amounted to approximately HK\$3.3 million, HK\$3.7 million, HK\$4.4 million and HK\$5.6 million, respectively. The legal claim provision represented the expected loss should the claims against

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our subsidiaries by one shopping mall for violation of retail stores opening agreements be upheld by the appellant court in the Mainland China. The legal claim provisions were approximately nil, HK\$2.0 million, HK\$1.9 million and HK\$1.9 million as at 31 December 2016, 2017 and 2018 and 31 July 2019.

Financial liabilities at fair value through profit and loss

The financial liabilities at fair value through profit and loss represent the liabilities arising from the call options granted to the minor shareholder of NB China which are stated at fair value through profit and loss. The fair value of the financial liabilities is determined by reference to level 3 fair value measurement due to the presence of significant unobservable market data inputs. The valuation of the financial liabilities was determined by an independent valuer based on the Monte Carlo Model with certain key assumptions. The management of our Company understands that the Monte Carlo Model is a commonly adopted model for the valuation of such call option. For further details of the assumption, please refer to the note 30 to the Accountant's Report in Appendix 1 of this prospectus. The financial liabilities at fair value through profit and loss amounted to approximately HK\$9.4 million, HK\$10.7 million, HK\$11.6 million and HK\$7.2 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively.

In relation to the valuation of the call option, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of call option agreements; (ii) engaged an independent valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumption; (iii) carefully considered all information especially those non-market related information input, such as the annualised EBITDA drift of NB China, which requires management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the call option, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 3.3 to the Accountant's Report in Appendix I. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out in Appendix I to this prospectus.

In relation to the valuation analysis performed by valuer on the call option, the Sole Sponsor has conducted relevant due diligence work, including but not limited to: (i) obtained and reviewed the "Guidance note on director's duties in the context of valuations in corporate transactions" issued by SFC in 2017 and "International Valuation Standards 2017" issued by International Valuation Standards Council; (ii) obtained and reviewed the terms of the NB Cooperation Agreement; (iii) obtained and reviewed audited financial statements of NB China for the financial years ended 31 December 2015, 2016, 2017 and 2018; (iv) obtained and

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reviewed profit forecast of NB China for the financial years ending 31 December 2019, 2020, 2021, 2022 and 2023; (v) obtained and reviewed the valuation report issued by the independent call option valuer; (vi) interviewed and discussed with the independent valuer the valuation model, calculation basis and assumptions and considered the reasonableness thereof; (vii) discussed with the Reporting Accountant in relation to the fair value of the call option used for the preparation of the Accountant's Report of the Group by the Company; and (viii) discussed with the management of our Group about the profit forecast of NB China. Based on the above due diligence work performed, the Sole Sponsor concurs with the above view of the Directors.

Other current and non-current liabilities

The other current and non-current liabilities is mainly the decoration subsidy received from the brand owners and shopping malls and is amortised on a straight-line basis over the rental periods.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash flow from operations and financing activities.

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Cash Flows

The following table sets forth a summary of our consolidated cash flow statement for the year/period indicated.

	FY2016	FY2017	FY2018	For the seven months ended 31 July 2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Net cash generated from operating activities	255,522	320,987	296,335	210,577
Net cash used in investing activities	(98,172)	(27,684)	(93,274)	(82,603)
Net cash used in financing activities	(168,128)	(253,108)	(203,752)	(104,095)
Net (decrease)/increase in cash and cash equivalents	(10,778)	40,195	(691)	23,879
Cash and cash equivalents at the beginning of the year/period	55,922	46,197	84,730	85,731
Exchange gains/(losses) on cash and cash equivalents	1,053	(1,662)	1,692	91
Cash and cash equivalents at the end of the year/period	46,197	84,730	85,731	109,701

Net Cash Generated from Operating Activities

Our net cash generated from operating activities for FY2016 was approximately HK\$255.5 million, primarily comprising cash generated from operations of approximately HK\$260.9 million and income tax paid of approximately HK\$5.4 million. Our cash generated from operations reflected profit for the year of approximately HK\$7.0 million, as adjusted for the following major items; (i) depreciation and amortisation of property, plant and equipment and right-of-use assets of approximately HK\$211.8 million; (ii) interest cost of approximately HK\$25.9 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; and (iii) impairment charge for property, plant and equipment and right-of-use assets and provision for inventories of approximately HK\$8.5 million and HK\$7.8 million respectively. Our change in working capital contributed to a cash outflow of approximately HK\$4.9 million, which was primarily due to (i) the increase in inventories of approximately HK\$37.0 million due to the growing operations for the year which resulted in the increase in stockpile of apparel products; (ii) the increase in trade receivables, prepayment and restricted

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cash of approximately HK\$8.7 million, HK\$12.4 million and HK\$11.7 million respectively; and partially offset by (iii) the increase in amount due to related parties offset by the increase in amount due from related parties of net increase of approximately HK\$3.1 million primarily due to more borrowing from related parties than advancements and repayment to these related parties during the year; (iv) the increase in trade and other payables of approximately HK\$34.9 million primarily due to higher unsettled trade payables at the end of the year end; and (v) the decrease in other receivables and deposit of HK\$22.7 million.

Our net cash generated from operating activities for FY2017 was approximately HK\$321.0 million, primarily comprising cash generated from operations of approximately HK\$325.1 million and income tax paid of approximately HK\$4.1 million. Our cash generated from operations reflected profit for the year of approximately HK\$76.1 million, as adjusted for the following major items; (i) depreciation and amortisation of property, plant and equipment and right-of-use assets of approximately HK\$215.9 million; (ii) interest cost of approximately HK\$22.9 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; and (iii) impairment charge for property, plant and equipment and right-of-use assets of approximately HK\$15.3 million. Our change in working capital contributed to a cash outflow of approximately HK\$5.8 million, which was primarily due to (i) the decrease in trade and other payables of approximately HK\$37.8 million primarily attributable to more timely settlement; (ii) the increase in restricted cash of approximately HK\$16.5 million due to the increase in bank deposits pledged to facilitate the utilization of more letters of credit loans; (iii) the increase in trade receivables of approximately HK\$7.8 million primarily due to the increase in sales activities with the shopping malls; (iv) the increase in other receivables and deposit of HK\$3.5 million primarily due to the increase in payments of rental deposits amounting to approximately HK\$2.3 million resulting from opening retail stores of larger floor areas during the year; (v) the increase in prepayment of approximately HK\$5.7 million and partially offset by (vi) the decrease in amount due from related parties and increase in amount due to the related parties of approximately HK\$63.0 million primarily due to more repayment received from and more finance obtained from these related parties during the year.

Our net cash generated from operating activities for FY2018 was approximately HK\$296.3 million, primarily comprising cash generated from operations of approximately HK\$303.2 million and income tax paid of approximately HK\$6.9 million. Our cash generated from operations reflected profit for the year of approximately HK\$126.6 million, as adjusted for the following major items; (i) depreciation and amortisation of property, plant and equipment and right-of-use assets of approximately HK\$230.0 million; (ii) interest cost of approximately HK\$25.2 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; and (iii) impairment charge for property, plant and equipment and right-of-use assets of approximately HK\$4.8 million. Our change in working capital contributed to a cash outflow of approximately HK\$82.4 million, which was primarily due to (i) the increase in inventories of approximately HK\$86.3 million due to the growing operations for the year which resulted in the increase in stockpile of apparel products; (ii) the increase in other receivables and deposit of HK\$17.9 million primarily due to increase in value-added tax recoverable and construction receivables of approximately HK\$10.8 million; (iii) the increase in prepayment and restricted cash of approximately HK\$17.9 million and HK\$2.9 million respectively; (iv) the net

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impact of decrease in amount due from and the decrease in amount due to related parties of approximately HK\$17.8 million; (v) the increase in trade receivables of approximately HK\$12.7 million and partially offset by (vi) the increase in trade and other payables of approximately HK\$65.8 million primarily due to more purchase made before the year end.

Our net cash generated from operating activities for the seven months ended 31 July 2019 was approximately HK\$210.6 million, primarily comprising cash generated from operations of approximately HK\$214.5 million and income tax paid of approximately HK\$3.9 million. Our cash generated from operations reflected profit for the year of approximately HK\$41.3 million, as adjusted for the following major items; (i) depreciation and amortisation of property, plant and equipment and right-of-use assets of approximately HK\$170.1 million; (ii) interest cost of approximately HK\$18.8 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; (iii) impairment charge for property, plant and equipment and right-of-use assets of approximately HK\$5.7 million; (iv) the change in fair value gains on financial liabilities at fair value through profit or losses of approximately HK\$4.4 million and (v) provision for inventories of approximately HK\$1.4 million. Our change in working capital contributed to a cash outflow of approximately HK\$17.8 million, which was primarily due to (i) the increase in inventories of approximately HK\$87.1 million due to the growing operations for the year which resulted in the increase in stockpile of apparel products for meeting increasing sales; and partially offset by (ii) the increase in amount due to the related parties of approximately HK\$14.2 million primarily due to more advancement received from these related parties during the year; (iii) the decrease in restricted cash of HK\$5.5 million; (iv) the increase in trade and other payables of approximately HK\$57.8 million primarily due to higher unsettled trade payables at the period end; and (v) the decrease in prepayment of approximately HK\$3.8 million.

Net Cash Used in Investing Activities

Our net cash used in investing activities for FY2016 was approximately HK\$98.2 million, primarily representing the purchase of property, plant and equipment of approximately HK\$74.0 million, and loan to third parties and loans to related parties of approximately HK\$20.3 million and HK\$25.6 million respectively which was partially offset by repayment received from related parties and repayment of loans to related parties of approximately HK\$10.3 million and HK\$14.3 million respectively.

Our net cash used in investing activities for FY2017 was approximately HK\$27.7 million, primarily representing the purchase of property, plant and equipment of approximately HK\$46.5 million, advances to third parties and related parties of approximately HK\$3.5 million and HK\$3.5 million respectively which was partially offset by repayments of loan to third parties and repayment of loans to related parties of approximately HK\$13.4 million and HK\$14.6 million respectively.

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Our net cash used in investing activities for FY2018 was approximately HK\$93.3 million, primarily representing the purchase of property, plant and equipment of approximately HK\$90.4 million, and purchase of intangible assets which comprised of license rights of approximately HK\$3.4 million.

Our net cash used in investing activities for the seven months ended 31 July 2019 was approximately HK\$82.6 million, primarily representing the purchase of property, plant and equipment and intangible assets of approximately HK\$81.2 million and HK\$1.6 million, respectively.

Net Cash Used in Financing Activities

Our net cash used in financing activities for FY2016 was approximately HK\$168.1 million, primarily representing payment of lease liabilities of approximately HK\$171.1 million, dividends paid to our Group's shareholders of approximately HK\$38.0 million and partially offset by the loans from third parties and related parties net of repayments to the related parties of approximately HK\$30.2 million.

Our net cash used in financing activities for FY2017 was approximately HK\$253.1 million, primarily representing payment of lease liabilities of approximately HK\$174.2 million, dividends paid to our Group's shareholders of approximately HK\$30.0 million and the repayments to the related parties net of the loans from related parties of approximately HK\$34.7 million.

Our net cash used in financing activities for FY2018 was approximately HK\$203.8 million, primarily representing payment of lease liabilities of approximately HK\$190.8 million, dividends paid to our Group's shareholders of approximately HK\$11.3 million, repayment of borrowings net of proceeds from borrowings of approximately of HK\$21.7 million and partially offset by the loans from related parties net of repayments to the related parties of approximately HK\$30.8 million.

Our net cash used in financing activities for the seven months ended 31 July 2019 was approximately HK\$104.1 million, primarily representing payment of lease liabilities of approximately HK\$147.1 million and payment of listing expenses of approximately HK\$3.4 million and partially offset by net of proceeds from borrowings after repayment of borrowings of approximately of HK\$57.2 million.

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Net current assets

The following table sets out our Group's current assets and liabilities as of the date indicated.

	As of 31 December			As of 31 July 2019	As of 31 October 2019
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(unaudited)
Current Assets					
Inventories	256,956	265,269	341,764	426,562	431,990
Trade receivable	45,812	57,292	66,846	66,039	66,895
Prepayment	35,418	42,395	59,801	59,327	73,780
Amount due from related parties	59,579	26,149	24,267	27,011	27,726
Other receivables and deposit	44,085	35,891	52,403	51,475	47,933
Restricted cash	16,454	33,211	35,927	30,427	37,621
Cash and cash equivalents	46,197	84,730	85,731	109,701	60,252
Total current assets	504,501	544,937	666,739	770,542	746,197
Current liabilities					
Trade and other payables	152,036	148,989	195,590	271,814	246,690
Amount due to related parties	140,253	148,230	157,399	169,491	149,109
Other current liabilities	1,833	2,456	4,145	6,083	6,334
Contract liabilities	4,411	1,525	3,203	2,262	1,866
Lease liabilities	139,001	151,742	157,783	184,431	173,695
Provisions	1,004	3,268	3,704	3,079	2,929
Income tax liabilities	2,709	8,183	18,901	24,956	19,578
Borrowings	70,347	85,227	77,216	101,482	120,626
Total current liabilities	511,594	549,620	617,941	763,598	720,827
Net current assets/(liabilities)	(7,093)	(4,683)	48,798	6,944	25,370

Our net current assets increased by approximately HK\$2.4 million from net current liabilities of approximately HK\$7.1 million as at 31 December 2016 to net current liabilities of approximately HK\$4.7 million as at 31 December 2017, primarily attributable to (i) the increase in current assets of approximately HK\$40.4 million, which was primarily driven by the increase in restricted cash and cash and cash equivalents of approximately HK\$16.8 million and HK\$38.5 million respectively, the increase in trade receivables of approximately HK\$11.5 million, and the increase in inventories of approximately HK\$8.3 million, while partially offset by the decrease

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in amount due from related parties of approximately HK\$33.4 million; and offset by (ii) the increase in current liabilities of approximately HK\$38.0 million, which was primarily driven by the increase in lease liabilities of approximately of HK\$12.7 million and the increase in bank borrowings of approximately HK\$14.9 million and the increase in amount due to related parties of approximately HK\$8.0 million.

Our net current assets increased by approximately HK\$53.5 million from net current liabilities of approximately HK\$4.7 million as at 31 December 2017 to net current assets of approximately HK\$48.8 million as at 31 December 2018, primarily attributable to (i) the increase in current assets of approximately HK\$121.8 million, which was primarily driven by the increase in trade receivables of approximately HK\$9.6 million, the increase in prepayment and other receivables and deposit of approximately HK\$33.9 million and the increase in inventories of approximately HK\$76.5 million; and offset by (ii) the increase in current liabilities of approximately HK\$68.3 million, which was primarily driven by the increase in trade and other payables of approximately HK\$46.6 million, the increase in amount due to related parties of approximately of HK\$9.2 million.

Our net current assets decreased by approximately HK\$41.9 million from approximately HK\$48.8 million as at 31 December 2018 to approximately HK\$6.9 million as at 31 July 2019, primarily due to (i) the increase in current liabilities of approximately HK\$145.7 million, which was primarily driven by the increase in trade and other payables of approximately HK\$76.2 million, the increase in lease liabilities of approximately HK\$26.6 million, the increase in amount due to related parties of approximately of HK\$12.1 million and the increase in bank borrowings of approximately HK\$24.3 million; and offset by (ii) the increase in current assets of approximately HK\$103.8 million, which was primarily driven by the increase in inventories of approximately HK\$84.8 million and the increase in cash and cash equivalents of approximately HK\$24.0 million.

Our net current assets increased by approximately HK\$18.5 million from approximately HK\$6.9 million as at 31 July 2019 to approximately HK\$25.4 million as at 31 October 2019, primarily due to (i) the decrease in current liabilities of approximately HK\$42.8 million, which was primarily driven by the decrease in trade and other payables of approximately HK\$25.1 million and amount due to related parties of approximately HK\$20.4 million and offset by (ii) the decrease in current assets of approximately HK\$24.3 million, which was primarily driven by the decrease in the net of decrease in cash and cash equivalents and increase in restricted cash of approximately HK\$42.2 million, and partially offset by the increase in prepayment of approximately HK\$14.5 million and the increase in inventories of approximately HK\$5.4 million.

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SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account, the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities and the estimated net proceeds from the Global Offering, our Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the date indicated:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HK\$'000
					(unaudited)
Non-current					
Bank loans	152,160	149,316	133,112	165,735	160,174
Lease liabilities	229,602	191,209	226,001	257,815	220,455
Current					
Loans from related parties	120,726	88,310	117,199	115,242	101,544
Lease liabilities	139,001	151,742	157,783	184,431	173,695
Bank loans	63,608	64,633	58,037	79,958	78,187
Letter of credit loans	6,739	20,594	19,179	21,524	42,439
	<u>711,836</u>	<u>665,804</u>	<u>711,311</u>	<u>824,705</u>	<u>776,494</u>

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Bank borrowings

Our bank borrowings comprise secured loans and letter of credit loans. As of 31 October 2019, our Group had total outstanding bank borrowings of approximately HK\$280.8 million. The following table sets forth the components of our bank borrowings as of the date indicated:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HK\$'000 (unaudited)
Bank loans					
Non-current	152,160	149,316	133,112	165,735	160,174
Current	63,608	64,633	58,037	79,958	78,187
	<u>215,768</u>	<u>213,949</u>	<u>191,149</u>	<u>245,693</u>	<u>238,361</u>
Letter of credit loans	6,739	20,594	19,179	21,524	42,439
	<u>222,507</u>	<u>234,543</u>	<u>210,328</u>	<u>267,217</u>	<u>280,800</u>

The bank borrowings are repayable as follows:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)
Within 1 year	70,347	85,227	77,216	101,482	120,626
Between 1 and 2 years	25,510	17,176	17,728	22,829	22,986
Between 2 and 5 years	35,651	65,914	56,979	65,384	62,966
Over 5 years	90,999	66,226	58,405	77,522	74,222
	<u>222,507</u>	<u>234,543</u>	<u>210,328</u>	<u>267,217</u>	<u>280,800</u>

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As at 31 December 2016, 2017 and 2018, 31 July 2019 and 31 October 2019, our bank borrowings comprised term loans and letter of credit loans amounting to approximately HK\$222.5 million, HK\$234.5 million, HK\$210.3 million, HK\$267.2 million and HK\$280.8 million, respectively. Our bank borrowings were primarily denominated in HKD, RMB and USD. The following table sets forth the currencies of the bank borrowings as of the dates indicated:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)
RMB	32,442	37,316	40,778	47,725	40,950
HKD	159,161	160,633	141,141	194,435	210,225
USD	27,404	26,339	28,409	23,990	24,771
Euro	3,500	10,255	–	1,067	–
MOP	–	–	–	–	4,854
	<u>222,507</u>	<u>234,543</u>	<u>210,328</u>	<u>267,217</u>	<u>280,800</u>

The weighted average effective interest rates on the bank borrowings as of 31 December 2016, 2017 and 2018 and 31 July 2019 ranged from approximately 3.30%, 3.37%, 3.65% and 3.76% per annum.

As at 31 October 2019, our bank borrowings amounted to approximately HK\$280.8 million. The ranges of effective interest rates on the bank borrowings vary from approximately 2.63% to 5.66% per annum.

As at 31 October 2019, we had aggregate banking facilities of HK\$518.2 million, of which unutilised balance of HK\$107.2 million consisting of mainly bank guarantee and loans and advance that could be drawn down either in the form of bank loan or letter of credit loans.

As of 31 December 2016, 2017 and 2018, 31 July 2019 and 31 October 2019, our bank borrowings were secured by:

- (i) an life insurance contract with a sum insured of USD11.2 million in favour of Ms. Fan Tammy, our executive Director;
- (ii) a personal guarantee provided by Mr. Fan, our executive Director;
- (iii) properties owned by Mr. Fan; and
- (iv) Time deposit.

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The Group complied with the financial covenants of the bank borrowing facilities during the Track Record Period. As at 31 October 2019, being the latest practicable date of our indebtedness statement, except as disclosed in the table above, we did not have any outstanding debt securities, borrowings, indebtedness, or mortgages on a consolidated basis. There is no material adverse change in our indebtedness from 31 October 2019 and up to the date of this prospectus.

Lease liabilities

Lease liabilities represent the aggregate lease payment obligations not yet fulfilled under the lease agreements primarily for leasing the retail stores, office premises and vehicles. By adopting the IFRS 16, “Lease”, leases are recognized as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by our Group. The following table sets forth the details of lease liabilities in terms of current and non-current:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)
Current	139,001	151,742	157,783	184,431	173,695
Non-current	229,602	191,209	226,001	257,815	220,455
	<u>368,603</u>	<u>342,951</u>	<u>383,784</u>	<u>442,246</u>	<u>394,150</u>

As of 31 December 2016, 2017 and 2018, 31 July 2019 and 31 October 2019, we have outstanding lease liabilities of approximately HK\$368.6 million, HK\$343.0 million, HK\$383.8 million, HK\$442.2 million and HK\$394.2 million, respectively. During the Track Record Period, we did not breach any covenants of the lease agreements.

Loans from related parties

The following table sets out our Group's loans from related parties as at the dates indicated:

	As of 31 December			As of 31 July	As of 31 October
	2016	2017	2018	2019	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HK\$'000 (unaudited)
Loans from related parties	<u>120,726</u>	<u>88,310</u>	<u>117,199</u>	<u>115,242</u>	<u>101,544</u>

Loans from Mr. Fan carried an interest rate of Hong Kong Interbank Offered Rate plus 2%.

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Loans from a related party were unsecured, interest-free and repayable on demand.

CONTINGENT LIABILITIES

As at 31 December 2016, 2017, 2018 and 31 July 2019 and 31 October 2019, for the purpose of the indebtedness statement, we had no significant contingent liabilities or guarantees.

Save as disclosed in “Indebtedness” in this section, we did not have, at the close of business on 31 October 2019, 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 other material contingent liabilities.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios for the period indicated:

	For the year ended/as of 31 December			For the seven months ended/as of 31 July
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profitability ratios:				
Return on equity ^(Note 1)	7.8%	53.8%	53.3%	N/A ^(Note 8)
Return on total assets ^(Note 2)	0.6%	5.7%	8.9%	N/A ^(note 8)
Liquidity ratios:				
Current ratio ^(Note 3)	1.0	1.0	1.1	1.0
Quick ratio ^(Note 4)	0.5	0.5	0.5	0.5
Capital adequacy ratios				
Gearing ratio ^(Note 5)	90.1%	83.9%	75.4%	75.5%
Debt to equity ratio ^(Note 6)	90.7%	85.6%	77.7%	78.0%
Interest coverage ^(Note 7) (times)	1.3	4.4	6.1	3.2

Notes:

- 1 Calculated by dividing profit for the year/period by the total equity as at the respective year/period-end date.
- 2 Calculated by dividing profit for the year/period by the total assets as at the respective year/period-end date.
- 3 Calculated as current assets divided by current liabilities.

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- 4 Calculated as current assets less inventories divided by current liabilities.
- 5 Calculated by dividing net debt (being the total borrowings, lease liabilities and loan from third parties and related parties less cash and cash equivalents) by total capital (being the total equity plus net debts) net as at the respective year/period-end date.
6. Calculated based on total debts (being interest-bearing bank borrowings, lease liabilities and loan from third parties and related parties) divided by total equity and debts as at the end of the respective year/period-end date and multiplied by 100%.
- 7 Calculated by dividing profit before finance expenses and income tax by the finance expenses for the corresponding year/period.
- 8 Such ratio is not applicable as it is not comparable to annual numbers.

Return on Equity

Our return on equity ratios were approximately 7.8%, 53.8%, 53.3% for each of FY2016, FY2017 and FY2018, respectively.

The increase in return on equity for FY2017 as compared to that of FY2016 was mainly due to the increase in profit for the year for FY2017 of approximately 940.5% comparing with FY2016 outweighed the increase in total equity for FY2017 of approximately 50.0% comparing with FY2016. The thin equity in FY2016 was primarily due to a dividend of approximately HK\$38.0 million declared and paid in FY2016. The minor decrease in return on equity for FY2018 as compared to that of FY2017 was mainly due to the increase in total equity for FY2018 by approximately HK\$91.8 million comparing with FY2017 which outweighed the increase in profit for the year for FY2018 by approximately HK\$48.4 million comparing with FY2017.

Return on Assets

Our return on assets ratios were approximately 0.6%, 5.7%, 8.9% for each of FY2016, FY2017 and FY2018, respectively. The increase in return on assets ratio for FY2017 as compared to that of FY2016 was principally attributable to the increase in profit for FY2017 approximately 940.5% (as mainly driven by the increase in gross profit resulted from the increase in revenue for FY2017) comparing with FY2016 outweighed the increase in total assets of approximately 3.1% for FY2017 (as mainly driven by the increase in restricted cash and cash and cash equivalents).

The increase in return on assets ratio for FY2018 as compared to that of FY2017 was principally attributable to the increase in profit for FY2018 of approximately 80.5% (as mainly driven by the increase in gross profit resulted from the increase in revenue for FY2018) comparing with FY2017 outweighed the increase in total assets of approximately 16.6% for FY2018 (as mainly driven by the increase in restricted cash and other receivables and deposits).

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Current and quick Ratio

Our current ratios were approximately 1.0, 1.0, 1.1 and 1.0 as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively while the quick ratios as at the same year end and period end were approximately 0.5, 0.5, 0.5 and 0.5, respectively.

Current ratios were kept at a stable level of approximately from 1.0 to 1.1 and quick ratios at 0.5 during the Track Record Period.

Gearing ratio

Our gearing ratios were approximately 90.1%, 83.9%, 75.4% and 75.5% as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The gearing ratio decreased from 90.1% as at 31 December 2016 to 83.9% as at 31 December 2017 as the net debt decreased from approximately HK\$680.8 million as at 31 December 2016 to approximately HK\$581.1 million as at 31 December 2017 mainly resulting from the decrease of lease liabilities of approximately HK\$25.7 million and loan from third parties and related parties of approximately HK\$47.6 million. The gearing ratio decreased from 83.9% as at 31 December 2017 to 75.4% as at 31 December 2018 as the total capital increased from approximately HK\$693.0 million as at 31 December 2017 to approximately HK\$829.3 million as at 31 December 2018 mainly resulting from increasing profit for the year of approximately HK\$108.6 million. The gearing ratio increased slightly from 75.4% as at 31 December 2018 to 75.5% as at 31 July 2019 as the total capital increased from approximately HK\$829.3 million as at 31 December 2018 to approximately HK\$947.2 million as at 31 July 2019 resulting from profit for the seven months ended 31 July 2019 of approximately HK\$30.0 million.

Debt to Equity Ratio

Our debt to equity ratio as at 31 December 2016, 2017 and 2018 and 31 July 2019 was approximately 90.7%, 85.6%, 77.7% and 78.0%, respectively. Our debt to equity ratio slightly decreased to approximately 85.6% as at 31 December 2017 from approximately 90.7% as at 31 December 2016 primarily attributable to the decrease of total debt of approximately HK\$61.2 million for FY2017. Our debt to equity ratio decreased to approximately 77.7% as at 31 December 2018 primarily attributable to profit for the year amounted to HK\$108.6 million for FY2018. Our debt to equity ratio increased slightly to approximately 78.0% as at 31 July 2019 primarily attributable to the increase in total debt of approximately HK\$113.4 million for the seven months ended 31 July 2019.

Interest coverage

Our interest coverage ratios were approximately 1.3 times, 4.4 times and 6.1 times and 3.2 times for each of FY2016, FY2017 and FY2018 and the seven months ended 31 July 2019, respectively.

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The increase in interest coverage ratio from approximately 1.3 times for FY2016 to approximately 4.4 times for FY2017 was mainly due to the increase in profit before income tax for FY2017 by approximately HK\$69.2 million. The increase in interest coverage ratio from approximately 4.4 times for FY2017 to approximately 6.1 times for FY2018 was mainly due to the increase in profit before interest and tax for FY2018 by approximately HK\$52.7 million, an increase in profit margin before finance cost and tax from approximately 9.3% for FY2017 to approximately 11.3% for FY2018. The interest coverage ratio was slightly decreased to 3.2 times for the seven months ended 31 July 2019 as the percentage of net interest expenses in terms of revenue increased from approximately 1.8% for FY2018 to approximately 2.1% for the seven months ended 31 July 2019 while the profit margin before interest and tax decreased from approximately 11.3% for FY2018 to approximately 6.7% for the seven months ended 31 July 2019.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, please refer to note 36 to the Accountant's Report in Appendix I to this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, most notably currency risk. Our overall risk management and governance framework addresses on the unpredictability of financial markets, cash flow management, project management, budget monitoring and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by management on an active basis under the guidance and policies approved by the Board of Directors. We do not use derivative financial instruments to hedge certain risk exposures.

Market Risk

Foreign Exchange Risk

Our Group operates in Hong Kong, Macau, Mainland China and Taiwan and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, which are denominated in these currencies. During the Track Record Period, payment at our retail stores are mainly settled in RMB, MOP, Hong Kong dollar and TWD in Mainland China, Macau, Hong Kong and Taiwan,

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respectively while most of the purchases made from our suppliers were denominated and settled in Euro and RMB, with the rest in Hong Kong dollar or U.S. dollar. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, approximately 30.4%, 25.5%, 39.1% and 29.3% of our total purchases were settled in Euro, respectively, and approximately 22.7%, 31.9%, 44.6% and 24.9% of our total purchases were settled in RMB, respectively.

During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

For details of analysis of the exchange risks in relation to the cost of sales, please refer to “Financial Information – Key factors affecting our results of operations – cost of sales” to this prospectus. For details of the sensitivity analysis in relation to foreign currency risk, please refer to “3. Financial Risk Management – Market risk – Foreign currency risk” in Note 3.1.1(i) to the Accountant’s Report.

Cash Flow and Fair Value Interest Rate Risk

We expose to fair value interest rate risk mainly to interest-bearing bank borrowings with floating interest rates. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2018 and 2019, if interest rates were to increase or decrease by 50 basis points and all other variables were held constant, our profit before tax would decrease or increase by approximately HK\$739,000, HK\$634,000, HK\$733,000, HK\$420,000 and HK\$496,000, respectively, as a result of increase or decrease in net interest expense. We manage our interest cost by using a mix of fixed and floating rate debts. For details of the sensitivity analysis in relation to interest rate risk, please refer to “3. Financial Risk Management – Market risk – cash flow and fair value interest rate risk” in Note 3.1.1(ii) to the Accountant’s Report.

Credit Risk

We derive most of our revenue from retail business without extending credit to end customers. Credit risk arises mainly from cash and cash equivalents, restricted cash, amount due from related parties as well as trade and other receivables.

We expect that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks in Mainland China and reputable international banks outside Mainland China. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, we have policies to limit the credit exposure on trade and other receivables and amount due from related parties. We assess the credit quality of potential customers and set short credit terms with our trade receivables and amount due from related parties by taking into account their financial position, their credit history and other factors such as current market conditions. We regularly monitor the credit history of our trade receivables and amount due from related parties and as at the Latest Practicable Date, we have no experience of balances past due or bad debt with our trade receivables and amount due from related parties.

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For further quantitative data in respect of our exposure to credit risk arising from trade receivables and prepayments, deposits and other receivables, please refer to Note 20 to Note 22 to the Accountant's Report.

Liquidity Risk

Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The Group maintains liquidity by a number of sources including orderly sales of inventories through our retail stores, receivables and certain assets that the Group considers appropriate and long-term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

For the maturity profile of our financial liabilities as at 31 December 2016, 2017 and 2018 and 31 July 2019, based on the contractual undiscounted payments, please refer to "3. Financial Risk Management – Liquidity risk" in Note 3.1.3 to the Accountant's Report.

Capital Management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on basis of the gearing ratio. As of 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, our gearing ratios were approximately 90.1%, 83.9%, 75.4% and 75.5%, respectively. The Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt to keep the capital structure optimal.

CAPITAL EXPENDITURES AND COMMITMENTS

Our Group's capital expenditures principally consisted of expenditures on acquisitions of property, plant and equipment and intangible assets. For FY2016, FY2017, FY2018 and the seven months ended 31 July 2019, our Group incurred capital expenditures of approximately HK\$79.0 million, HK\$72.9 million, HK\$64.5 million and HK\$109.8 million, respectively. The majority of our capital expenditures came from the addition of leasehold improvements of our retail stores opened and acquisition of buildings used for directors' quarters. Our capital expenditure was funded by a mix of internal resources and bank borrowing during the Track Record Period. Subsequent to 31 July 2019 and up to the Latest Practicable Date, we did not make any material capital expenditures. During the Track Record Period, we had no capital commitment that were not provided for in our consolidated financial statements.

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Upon Listing, we estimate that our planned capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds from the Global Offering and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any financial guarantees or other commitments to guarantee the payment obligations of any third parties during the Track Record Period and as of the Latest Practicable Date. As of the Latest Practicable Date, we have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial information. As of the Latest Practicable Date, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. As of the Latest Practicable Date, we did not have any variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$50.0 million, of which, approximately HK\$18.8 million is directly attributable to the issue of the Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering. The remaining estimated Listing expenses of approximately HK\$31.2 million, was or will be charged to profit or loss, of which approximately HK\$18.7 million had been recorded in the consolidated income statement and consolidated statement of comprehensive income during the Track Record Period, and approximately HK\$12.5 million is expected to be charged to profit or loss for the five months ending 31 December 2019.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 16 May 2019 as an investment holding company and our reserves available for distributions to Shareholders mainly include capital reserves and share premium mainly resulting from Reorganisation and retained earnings of the Company. As of 31 December 2016, 2017 and 2018 and 31 July 2019, the aggregated amount of capital reserves, share premium and retained earnings/accumulated losses of our Company were approximately HK\$79.9 million, HK\$117.7 million, HK\$204.9 million and HK\$232.4 million, respectively. Please refer to Note 25 and Note 26 to the Accountant’s Report in Appendix I for details.

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We finance our operations primarily through cash generated internally from our operations and bank borrowings. Our cash requirements primarily relate to our operation, opening of retail stores, and capital expenditures. Our cash and cash equivalents consist of deposits with banks and cash on hand and cash at Alipay. During the Track Record Period, our Directors confirm that we did not have any material defaults in payment of trade and non-trade payables and we were able to repay our obligations under bank borrowings when they became due. Our Directors also confirm that we did not commit any breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date. We expect that there will not be any material change in the sources and uses of the cash of our Group upon completion of the Listing and in the future, except that we will have additional funds from the proceeds of the Listing for implementing our future plans as detailed in “Future Plans and Use of Proceeds” in this prospectus.

DIVIDEND POLICY

We currently do not have any predetermined dividend payout ratio. The declaration of dividend is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. In order to distribute dividend to our Shareholders in line with our profit growth when it is appropriate to do so, after the Listing, we expect that we may pay dividends from time to time in an aggregate amount of an appropriate percentage of our annual distributable net profits, provided that the aforesaid factors are properly considered. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Any declaration and payment as well as the amount of the dividend will be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations and the Companies Ordinance, including the approval of our Shareholders. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory common reserve fund of an amount of not less than 10% of our profit after tax, as determined under PRC Company Law; and
- allocation, if any, to a discretionary common reserve fund of an amount approved by the shareholders in a shareholders’ meeting.

The minimum allocation to the statutory common reserve fund is 10% of our profit after tax, as determined under PRC Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower.

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Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. For FY2016, FY2017 and FY2018 and the seven months ended 31 July 2018 and 2019, we declared and paid dividends of HK\$38.0 million, HK\$30.0 million, HK\$11.3 million, HK\$9.5 million and HK\$1.0 million, respectively, to our Shareholders. However, any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to 31 July 2019 and up to the Latest Practicable Date, we started to operate mono-brand stores for *Balmain*, while we also ceased to operate mono-brand stores for two existing brands *Maison Margiela* and *MM6*, bringing the number of major brands for which we operate mono-brand stores to 30. For more details, please refer to the paragraph headed “Business – Our Brand Portfolio”.

Subsequent to 31 July 2019 and up to the Latest Practicable Date, we had opened 17 new retail stores while closing 27 retail stores. We have also expanded our retail network to the cities of Harbin, Changchun and Dalian by opening new mono-brand stores there. For more details, please refer to the paragraph headed “Business – Our Sales Channels - I. Our Retail Stores” of this prospectus.

Meanwhile, our provision of consignment service, which was conducted on a temporary arrangement with Club 21 Group has ceased subsequent to 31 July 2019.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position, contingent liabilities, guarantees or prospects of our Group since 31 July 2019, being the date to which our latest audited consolidated financial statements was prepared, and up to date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business – Business Strategies” in this prospectus for details of our business objectives and strategies.

USE OF PROCEEDS

We estimate that we will receive an aggregate net proceeds of approximately HK\$130.9 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.9 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 50.3%, or approximately HK\$65.8 million, will be used for part payment of the cost to be incurred for expanding the geographic coverage of our retail stores in Greater China and details of which are as follows:

Mono-brand stores

Region/brands (Note)	No. of the proposed new retail stores	Subtotal HK\$'000
Mainland China <i>Calvin Klein Jeans, Calvin Klein Underwear, Tommy Hilfiger, Adolfo Dominguez, EA7, Tommy Jeans</i>	28	26,927
Macau <i>Neil Barrett, Stella McCartney, Sergio Rossi, Marni, Moschino, Hogan, CK CALVIN KLEIN, Ed Hardy, Under Armour, Love Moschino, Adolfo Dominguez</i>	11	28,622
Hong Kong <i>Ed Hardy, Under Armour</i>	2	3,230
<i>Sub-Total</i>	<u>41</u>	<u>58,779</u>

Note: The brands to be carried by our proposed new mono-brand stores in Mainland China and Macau may be changed, depending on the fashion trend, the relevant brand's market recognition and the brand's target customers and the views of the landlord of the shopping mall or department stores towards the brand(s).

FUTURE PLANS AND USE OF PROCEEDS

Multi-brand stores

Region/store name	No. of the proposed new retail stores	Subtotal HK\$'000
Mainland China		
UM	4	5,235
UM Junior	2	2,681
Macau		
UM	1	2,602
UM Junior	2	5,204
WF Fashion	1	8,675
Sub-Total	10	24,397
Total	51	83,176

The expected amount to be incurred for payment of rental deposit and renovation cost in respect of the opening of new retail stores is approximately HK\$83.2 million, of which approximately HK\$65.8 million will be funded by the proceeds of the Global Offering and approximately HK\$17.4 million will be funded by our internal resources. The part funded by the proceeds of the Global Offering represents approximately 50.3% of our net proceeds from the Global Offering. For detailed plan in respect of the opening of our new retail stores, please refer to the paragraph headed “Business – Business Strategies – Continue to expand the geographic coverage of our retail stores in Greater China” in this prospectus;

- approximately 9.2%, or approximately HK\$12.1 million, will be used for part payment of the cost to be incurred for upgrading our existing retail stores. We plan to carry out renovation works in 19 retail stores in Mainland China and Macau with a view to upgrading their interior design so as to convert them into flagship stores of the brands or enhance the image of the relevant brands and their popularity. Furthermore, some of the retail stores had been opened for more than five years and thus, renovation works have to be carried out pursuant to the terms of the distribution agreements. Of these 19 retail stores, three will be converted into flagship stores of the brands including *UM* and *Neil Barrett*. The remaining 16 retail stores are mono-brand stores under the names of *Calvin Klein Jeans*, *Calvin Klein Underwear*, *Tommy Hilfiger* and *Ed Hardy*. The expected amount for the renovation of existing retail stores is approximately HK\$15.3 million. After deducting the amount of approximately HK\$12.1 million from the proceeds of the Global Offering, the remaining sum of approximately HK\$3.2 million will be funded by our internal resources;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 24.0%, or approximately HK\$31.4 million, will be used for exploring new brands to expand our brand portfolio and merchandise. As the designer fashion in the apparel retail market is sensitive to fast changing consumer preference, we have to keep on identifying and sourcing new brands that are well-received by a wider customer group or the emerging brands with strong growth potential. As at the Latest Practicable Date, we have engaged in negotiation with six new brands or recently operated brands for opening of 25 mono-brand stores; or entering into cooperation agreements with them and provision of store management services to a brand owner's mono-brand stores. We have also negotiated with the brand owner of an existing brand to expand the geographic coverage of our distributorship from Mainland China to both Mainland China and Macau. The expected amount for exploring new brands and further developing our recently operated brands is approximately HK\$39.8 million. After deducting the amount of approximately HK\$31.4 million from the proceeds of the Global Offering, the remaining sum of approximately HK\$8.4 million will be funded by our internal resources;
- approximately 10.8%, or approximately HK\$14.1 million, will be used for setting up and implementation of the Centralised RMS, a centralized information technology infrastructure that connects our headquarters in Hong Kong, our regional offices in Macau, Shenzhen and Shanghai and all our retail stores in terms of enterprise resourcing planning, inventory control, dealing with purchases, receipts, sales, promotions, customer analysis and the connection of the POS system in each of our retail stores in Greater China with our accounting system in our headquarters in Hong Kong. The expected amount for setting up and implementation of the Centralised RMS is approximately HK\$17.9 million. After deducting the amount of approximately HK\$14.1 million from the proceeds of the Global Offering, the remaining sum of approximately HK\$3.8 million will be funded by our internal resources; and
- approximately 5.7%, or approximately HK\$7.5 million, will be used for strengthening our online sales, which is in alignment with the robust development of online sales channel in Mainland China and the launch of an e-shopping platform specifically for luxury products with a view to complementing our offline sale channels. The expected amount for strengthening our online sales is approximately HK\$9.4 million. After deducting the amount of approximately HK\$7.5 million from the proceeds of the Global Offering, the remaining sum of approximately HK\$1.9 million will be funded by our internal resources.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$2.1 per Share, the net proceeds will increase by approximately HK\$18.2 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.7 per Share, the net proceeds will decrease by approximately HK\$18.2 million.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at HK\$2.1 per Share (being the high-end of the indicate Offer Price Range), HK\$1.7 (being the low-end of the indicative Offer Price Range) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Over-allotment Option, please refer to the section headed “The Structure of the Global Offering” in this prospectus.

Should our Directors decide to re-allocate the intended use of net proceeds to other business plans or our Group to a material extent, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions in Hong Kong. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing, when necessary.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from Listing Date to 31 December 2021 and for each of the six-month periods until 31 December 2021. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed “Bases and Assumptions” in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” of this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

Based on our business strategies, we intend to carry out the following implementation plans:

For the period from the Listing Date to 31 December 2021, our net proceeds from the Global Offering will be used as follows:

	From the Listing Date to 30 June 2020 <i>HK\$'000</i>	From 1 July 2020 to 31 December 2020 <i>HK\$'000</i>	From 1 January 2021 to 30 June 2021 <i>HK\$'000</i>	From 1 July 2021 to 31 December 2021 <i>HK\$'000</i>	Total amount of proceeds to be expended <i>HK\$'000</i>
Expand our retail stores	14,424	36,508	14,861	–	65,793
Upgrade our existing retail stores	7,475	4,601	–	–	12,076
Explore new brands	5,963	13,913	5,963	5,605	31,444
Set-up and implement Centralised RMS	9,462	3,990	685	–	14,137
Strengthen our online sales	1,886	1,886	2,823	855	7,450
	<u>39,210</u>	<u>60,898</u>	<u>24,332</u>	<u>6,460</u>	<u>130,900</u>

FUTURE PLANS AND USE OF PROCEEDS

(a) From the Listing Date to 30 June 2020

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail stores	Opening nine mono-brand stores	
	– Payment of rental deposit	1,312
	– Payment of renovation cost	9,574
	Opening two multi-brand stores	
	– Payment of rental deposit	403
	– Payment of renovation cost	3,135
Upgrade our existing retail stores	Renovation of nine existing retail stores	7,475
Explore new brands	Opening three retail stores for two of the new brands	5,963
Set up and implement centralised retail management system	Commencement of the setup and implementation of the following tasks of the Centralised RMS	
	– RMS project phase I (for Hong Kong and Macau)	1,580
	– Setting up of datacentre infrastructure in our headquarters in Hong Kong	800
	– Big-data artificial intelligence	600
	– Setting up of e-commerce system	500
	– Future development of financial system	250
	– Rebuild of website	150
	– Setting up of human resources management system (HRMS)	900
	– Hardware and software upgrade	4,682
Strengthen our online sales	Opening and operating a new luxury online shop including payment of site maintenance fee, warehousing fee, online e-shopping platform management fee, system integration fee and promotion fee, etc.	1,886
		39,210

FUTURE PLANS AND USE OF PROCEEDS

(b) From 1 July 2020 to 31 December 2020

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail stores	Opening 14 mono-brand stores	
	– Payment of rental deposit	3,076
	– Payment of renovation cost	19,522
	Opening five multi-brand stores	
	– Payment of rental deposit	2,883
	– Payment of renovation cost	11,027
Upgrade our existing retail stores ^(Note)	Renovation of ten existing retail stores	4,601
Explore new brands	Opening six retail stores for five of the new brands	13,913
Set up and implement centralised retail management system	Commencement of RMS project phase II (for Mainland China) and continuing to implement the following tasks of the Centralised RMS	
	– RMS project phase I (for Hong Kong and Macau)	220
	– RMS project phase II (for Mainland China)	1,050
	– Setting up of datacentre infrastructure in our headquarters in Hong Kong	600
	– Setting up of warehouse management system (WMS)	400
	– Setting up of e-commerce system	400
	– Future development of financial system	250
	– Setting up of human resources management system (HRMS)	650
	– Hardware and software upgrade	420
Strengthen our online sales	Continuing to operate the new luxury online shop	1,886
		60,898

Note: The amount shown represents only a portion of the fund expected to be spent for the corresponding propose and the rest will be funded by our internal resources.

FUTURE PLANS AND USE OF PROCEEDS

(c) From 1 January 2021 to 30 June 2021

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail stores ^(Note)	Opening nine mono-brand stores	
	– Payment of rental deposit	1,155
	– Payment of renovation cost	9,717
	Opening two multi-brand stores	
	– Payment of rental deposit	1,112
	– Payment of renovation cost	2,877
Explore new brands	Opening six retail stores for four of the new brands	5,963
Set up and implement centralised retail management system ^(Note)	Continuing to implement the following tasks of the Centralised RMS	
	– RMS project phase II (for Mainland China)	54
	– Setting up of datacentre infrastructure in our headquarters in Hong Kong	81
	– Big-data artificial intelligence	134
	– Setting up of warehouse management system (WMS)	81
	– Setting up of human resources management system (HRMS)	174
	– Hardware and software upgrade	161
Strengthen our online sales	Continuing to operate the new luxury online shop	2,823
		24,332

Note: The amount shown represents only a portion of the fund expected to be spent for the corresponding propose and the rest will be funded by our internal resources.

FUTURE PLANS AND USE OF PROCEEDS

(d) From 1 July 2021 to 31 December 2021

Business strategies	Implementation activities	Proceeds HK\$'000
Explore new brands ^(Note)	Opening ten retail stores for four of the new brands	5,605
Strengthen our online sales ^(Note)	Continuing to operate the new luxury online shop	855
		6,460

Note: The amount shown represents only a portion of the fund expected to be spent for the corresponding propose and the rest will be funded by our internal resources.

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2021.

- (a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.
- (b) There will be no material changes in the existing political, legal, fiscal, social or economic conditions in Macau or Hong Kong or Mainland China or in any other places in which any member of our Group carries on its business or will carry on its business.
- (c) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.
- (d) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.
- (e) There will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group.
- (f) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.
- (g) Our Group will be able to retain key staff in the management and the main operational departments.

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- (h) Our Group will be able to retain our customers and suppliers.
- (i) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.
- (j) Our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

REASONS FOR THE LISTING

Our Directors consider that the net proceeds from the Global Offering would facilitate the implementation of our business strategies and our future plans and the details of which are set out in the paragraph headed “Business – Business Strategies” in this prospectus. In this connection, in formulating our business strategies and future plan, we take into account the forecasted business opportunities in the apparel retail market in Greater China, our existing retail stores and brand portfolio and our existing business model. Apart from facilitating the implementation of our business strategies and future plan, our Directors are of the view that the Listing can also bring the following benefits to our Group.

I. Satisfy our genuine funding need

Our cash flow from our operating activities or our current available cash resources are only sufficient to maintain our existing business operation but not adequate for business expansion

As at 31 July 2019 and 31 October 2019, our cash and cash equivalent amounted to approximately HK\$109.7 million and HK\$60.3 million respectively.

We required an average monthly operating cost settled in cash (excluding provisions and impairments) of approximately HK\$73.2 million, HK\$77.7 million, HK\$97.1 million and HK\$115.9 million, which mainly consisted of our cost of sales, selling and distribution expenses, general and administrative expenses (without listing expenses) and finance costs for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

During FY2018, we received on average HK\$112.1 million monthly from our customers while we paid on average HK\$97.1 million as our monthly operating cost. For the seven months ended 31 July 2019, we received on average HK\$127.4 million monthly from our customers while we paid on average HK\$115.9 million as our monthly operating cost. Hence, though we were generally able to generate positive net cash flows from our operating activities, the net cash flows may not be sufficient to finance our expansion plan.

In order to maintain our daily operation, we adopt a prudent cash management approach in maintaining sufficient working capital to pay to our employees timely and to fulfil our obligations to pay to our suppliers according to the credit terms granted by the suppliers to satisfy around 0.6 to 1.1 months of our average monthly operating cash

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outflow requirements in case of any unforeseeable event during the Track Record Period. We expect that our monthly operating cost will increase along with the expansion of our business and the increase in the number of brands in our brand portfolio. Given designer fashion in the retail market is sensitive to fast changing consumer preference, we have to keep on identifying and seeking new brands to expand our brand portfolio.

On the other hand, as at 31 July 2019 and 31 October 2019, we had trade and other payables (including salaries and other remunerations paid to our employees) and lease liabilities of approximately HK\$456.2 million and HK\$420.4 million, respectively, which require regular monthly payments.

In light of the above, taking into account the amount of cash and cash equivalent as at 31 October 2019, our monthly operating cost and the cash generated from our customers monthly, our Directors consider that our current cash and cash equivalent may be sufficient for maintaining our current business operation but not be sufficient to support our business expansion or provide any buffer for us to cater for any material and unexpected adversities such as possible economic downturn, material adverse change in the retail market as a whole in Greater China.

Furthermore, our net current assets/(liabilities) amounted to approximately HK\$(7.1) million, HK\$(4.7) million, HK\$48.8 million and HK\$6.9 million as at 31 December 2016, 2017 and 2018 and the seven months ended 31 July 2019, respectively. The fluctuation reflects the liquidity risk (i.e. risk that funds will not be available to meet liabilities as and when they fall due) we have been facing due to amount and maturity mismatches of current assets and current liabilities.

Our Directors take the view that our liquidity pressure will be intensified taking into account the new international renowned brands we plan to develop and the new retail stores we plan to open in respect of our existing brands. Therefore, if we rely solely on our future operating cash flows, our business expansion plans will be susceptible to the timing as to when sufficient cash can be generated. This will inevitably prolong the implementation of our expansion plans. Hence, we will be placed in a relatively passive position in respect of the timing of implementing our business expansion plans and thus, may not be able to fully capture the forthcoming business opportunities driven by the forecasted growth in the apparel retail industry in Greater China.

We need to maintain sufficient working capital level for our operation

According to the F&S Report, apparel retail industry generally requires substantial working capital for payment of opening of retail stores, marketing and payment of inventories. Hence, mid-to-high end apparel retailers who do not have adequate initial capital may face consequences of failure in obtaining distribution rights for popular and well-received designer's brands. Our Directors consider that brand owners generally assess whether an authorised distributor of their apparel is qualified to be their distributor and develop and promote their brands, which includes whether it has sufficient financial

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resources to open retail stores, implement their marketing plans as required and to meet their minimum purchase requirements of their apparel. On the other hand, based on our Directors' experience throughout our operating history, landlord of high-end shopping malls or department store would also consider the financial condition of their potential tenants. Inquiries into the financial position of a potential tenant is generally made through obtaining the financial statements and job references of the potential tenant/distributor. Based on our Directors' experience, both landlord and brand owners or their master/authorised licensors generally take into consideration the financial position and working capital level of a potential tenant/distributor before entering into a lease or distribution agreement, as the case may be, with them.

II. Debt financing does not provide enough funding at reasonable costs

Our Directors have carefully considered the desirability to finance our expansion plan through debt financing, and determined that it is in the best interest of our Company to seek equity financing instead which is considered as more attractive than relying solely on debt financing in light of the following:

- (i) As of 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, our gearing ratios were approximately 90.1%, 83.9%, 75.4% and 75.5%, respectively. These banking facilities are secured by both our properties and the personal guarantee and collaterals provided by Mr. Fan, our executive Director, Chairman and Controlling Shareholder. Having considered our Group's relatively high gearing ratio throughout the Track Record Period, our Directors consider that further undue reliance on bank borrowings to finance our Group's capital and cash flow requirements would not be commercially feasible as it would place considerable financial burden on our Group as well as our Controlling Shareholders, which would in turn curtail our long-term sustainability and room for business development;
- (ii) The cash flow interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Hence, reliance on debt financing to fund future operation may expose us to increasing financial cost as the lending rate fluctuates from time to time. Equity fund raising allows us to reduce our interest rate risks as the permanent nature of equity capital does not involve recurring interest expenses. Furthermore, the subsequent fund raising process (such as private placement and rights issue) is usually simpler than negotiations with banks and other financial institutions (which generally involve (a) the lenders conducting detailed and lengthy due diligence and analysis on our Group's financial position; (b) a lengthy approval process prior to approving/providing such loans; and (c) the lenders demanding for security to secure such loans). Equity fund raising would also allow our Group to react more promptly to the changing market conditions and business opportunities. Our Directors also believe that the listing status will allow our Group to gain leverage in obtaining bank financing on more favorable terms (such

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as the provision of a corporate guarantee by our Company rather than personal guarantees by our Controlling Shareholders), thus offering us more flexibility in financing our operations;

- (iii) Despite the cost of equity funding by way of the Global Offering as the significant listing expenses might not be lower than debt financing, our Directors considered that equity financing will broaden our Group's capital base, rather than a short term uplift, and provide a platform for our Company's fund raising in the long run and on a recurring basis, which is not limited to the amount of net proceeds to be raised in the Global Offering, to finance our future business expansion and long-term development; and
- (iv) lending banks generally require our Controlling Shareholders to provide collateral or personal guarantee to secure our payment obligations, especially for long-term loans of significant amount. There is no assurance that such security will be made available by our Controlling Shareholders at all times and the withdrawal or unavailability of any such security for whatever reasons would reduce the amount of banking facilities made available to us. It would also not be in the best interest of our Company to rely on debt financing that may involve personal guarantee or collateral provided by our Controlling Shareholders and their associates as it is our strategy to minimise connected transactions and related party transaction in order to carry out our business independently from connected persons.

Balancing the above factors and having considered our funding needs for implementing our expansion plan, our Directors consider that equity financing is a more attractive option than debt financing at this juncture and that pursuing equity financing by way of Listing is in the interest of our Company and its Shareholders as a whole.

III. Strengthening our Group's brand awareness, credibility and competitiveness

Considering that many of our competitors engaged in apparel retail industry in Greater China have their respective parent company, group companies or itself listed on the Stock Exchange or other exchanges, we believe that the Listing on the Stock Exchange will also enable us to increase market awareness of our brand name, maintain our competitive advantages and level of competitiveness in the apparel retail industry in Greater China.

Furthermore, the increased level of information transparency after the Listing will give our customers, our suppliers including brand owners and the public access to our Group's corporate and financial information, which could enhance their confidence on our Group. Our Directors believe that a listing status will also enhance our brand awareness and credibility among our suppliers and customers. Our Directors are of the view that our Group may be able to negotiate for more favourable terms with our suppliers regarding the distribution of their branded fashion apparel and competing for distribution right of more established or emerging brands with growth potential on more favourable terms. Further, it would also enhance the confidence of our brand owners and other suppliers towards our financial condition and further strengthen our ability to

FUTURE PLANS AND USE OF PROCEEDS

broaden our brand portfolio and in turn enlarge our market share in the apparel retail industry in Greater China.

Furthermore, our Directors, based on their dealings with the landlords, take the view that landlords and operators of high-end shopping malls and department stores would tend to give preference to tenants who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. The status of being a listed company on the Main Board of the Stock Exchange in Hong Kong will also raise our Group's reputation and enhance our competitiveness amongst our competitors, which will help implement our business strategies and expand our customer base and market share in the industry.

IV. Enhance our public profile

Our Directors believe that we can enhance our public profile and recognition by listing on the Stock Exchange as the Stock Exchange can attract different geographically based investors and provides access to these investors including institutional investors to invest in our Company. Our Directors also believe that seeking the Listing on the Stock Exchange will enable our Company to promote our presence in the international apparel retail market, which is considered as an important factor for the potential future growth and our long-term development.

Our Directors believe that seeking the Listing on the Stock Exchange will enable our Company to promote our presence in the international market and enhance our Company's profile in Hong Kong, which will benefit our Company by exposing it to a wider range of private and institutional Investors.

V. The Listing can create liquidity for our Shares and broaden our Shareholder base

In the long run, the Listing will allow us to have a channel for fund raising to support and finance our long-term expansion plans, which includes the expansion of both our retail network and our brand portfolio, strengthening our online sales channel, setting up our Centralized RMS and further developing our proprietary brands.

Following the trading of Shares on the Stock Exchange, investors will have access to equity markets for trading purposes. As the Shares have not been traded on the Stock Exchange before the Listing, an active trading market for the Shares may not be able to be developed in Hong Kong in the first instance. Once there is liquidity of our Shares through the Listing, our shareholder base will be broadened, whereby our Company can diversify our capital-raising activities rather than solely relying on the revenue generated from our business operation and debt financing.

THE CORNERSTONE INVESTMENT

As part of the International Placing, we have entered into a cornerstone investment agreement with the cornerstone investor (the “**Cornerstone Investor**”), the Sole Sponsor and the Joint Global Coordinators (together, the “**Cornerstone Investment Agreement**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of HK\$10 million (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.7 (being the low-end of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 5,882,000 Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing (a) approximately 5.88% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 5.11% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 1.47% of our Shares in issue and outstanding upon the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$1.9 (being the mid-point of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 5,262,000 Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing (a) approximately 5.26% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 4.58% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 1.32% of our Shares in issue and outstanding upon the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$2.1 (being the high-end of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 4,760,000 Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing (a) approximately 4.76% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 4.14% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 1.19% of our Shares in issue and outstanding upon the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

CORNERSTONE INVESTOR

The Cornerstone Placing will form a part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid Shares then in issue and to be listed on the Stock Exchange upon completion of the Global Offering and will be counted towards the public float of our Company. The number of Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares from the International Placing to the Public Offer in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “The Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” nor affected by any exercise of the Over-allotment Option.

THE CORNERSTONE INVESTOR

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor in respect of the Cornerstone Placing. The details of the investment of the Cornerstone Investor are set forth below:

Cornerstone Investor	Investment amount	Indicative Offer Price	Number of Offer Shares to be subscribed for (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue	
				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Kingkey Financial International (Holdings) Limited	HK\$10,000,000 <i>(Note 1)</i>	Low-end: HK\$1.7	5,882,000	5.88%	5.11%	1.47%	1.42%
		Mid-point: HK\$1.9	5,262,000	5.26%	4.58%	1.32%	1.27%
		High-end: HK\$2.1	4,760,000	4.76%	4.14%	1.19%	1.15%

Note 1: The investment amount is exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

As confirmed by our Directors, we heard about the background of the controlling shareholder of the Cornerstone Investor when our Group leased premises at a shopping mall in Shenzhen, which are operated by the family of the controlling shareholder of the Cornerstone Investor, for operation of three mono-brand stores for *ED Hardy*, *G Givenchy* and *Under Armour*. Later on, our Company became acquainted with the Cornerstone Investor through introduction and arrangement by the Joint Global Coordinators. To the best knowledge of our Directors having made all reasonable enquiries, the Cornerstone Investor decided to invest in our Company having considered our reputation, development and business prospects in the fashion apparels industry and it is expected that the Cornerstone Investor would finance their subscription under the Cornerstone Placing by their own internal resources.

The information about the Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

Kingkey Financial International (Holdings) Limited

Kingkey Financial International (Holdings) Limited (formerly known as UKF (Holdings) Limited) is a company incorporated in the Cayman Islands as an exempted company with limited liability on 31 March 2011 and was listed on GEM of the Stock Exchange in August 2012 before the listing of its shares was transferred to the Main Board of the Stock Exchange (Stock code: 1468) in March 2015. The Cornerstone Investor is principally engaged in the provision of securities brokerage services, margin financing to clients, underwriting and placing services, insurance brokerage, wealth management and investment products consultancy services, trading of fur skin, mink farming in Denmark, fur skin brokerage and money lending.

Pursuant to the Cornerstone Investment Agreement, the Investor has agreed and confirmed that it has taken necessary steps required to comply with the relevant applicable laws and regulations (including the Listing Rules), in order to execute and perform its obligations under the Cornerstone Investment Agreement and to carry out the transactions contemplated thereunder. The Investor has further confirmed that the transactions contemplated under the Cornerstone Placing would not constitute a notifiable transaction for the Investor and therefore it will not be subject to disclosure, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As confirmed by our Directors, the Cornerstone Investor has not received any direct or indirect benefit or preferential treatment other than a guaranteed allocation of the Offer Shares at the Offer Price.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, is not our connected person (as defined in the Listing Rules), is not an existing Shareholder or their respective close associates. The subscription of Offer Shares by the Cornerstone Investor under the Cornerstone Placing is not financed directly or indirectly by our Company, any of our Directors, our chief executive, any of our existing Shareholders or their respective close associates. The Cornerstone Investor is making independent investment decisions and the Cornerstone Investor is not accustomed to take instructions from a core connected person (as defined in the Listing Rules) of our Company, any of our Directors, our chief executive, any of our existing Shareholders, or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares. Pursuant to the Cornerstone Investment Agreement, the Cornerstone Investor is expected to pay the aggregate amount of HK\$10 million for the subscription of the Offer Shares under the Cornerstone Placing on or before Tuesday, 7 January 2020 and the Offer Shares under the Cornerstone Placing are expected to be delivered to the Investor on or before Friday, 10 January 2020. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around Friday, 10 January 2020.

Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any Board representation in our Company, nor will it become a substantial Shareholder of our Company. The Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders. Other than the Cornerstone Investment Agreement, there are no side arrangements between our Company, any of our Directors, our chief executive, any of our existing Shareholders, or their respective associates and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing.

CORNERSTONE INVESTOR

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investor is subject to, among others, the satisfaction of the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective time and dates specified therein;
- (b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (c) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (d) the Listing Committee having granted the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering, and such approval or permission not having been revoked prior to the commencement of dealing in our Shares on the Main Board;
- (e) no laws shall have been enacted or promulgated by any regulatory authorities which prohibit the consummation of the investment hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the investment hereunder; and
- (f) the respective warranties and undertakings of the Cornerstone Investor and our Company in the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and our Company.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and has undertaken to our Company, the Sole Sponsor and the Joint Global Coordinators that unless it has obtained the prior written consent of our Company, the Sole Sponsor and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”):

- (a) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the Offer Shares subscribed by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement and any shares or other securities of our Company which are derived from the Offer Shares or

CORNERSTONE INVESTOR

any interest therein, including but not limited to any convertibles, equity-linked securities and derivatives with underlying assets being the Offer Shares (pursuant to any rights issue, capitalisation issue or other form of capital reorganisation) (the “**Relevant Shares**”) or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or
- (c) enter into any transaction directly or indirectly with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

After expiration of the Lock-up Period, the Cornerstone Investor shall be free to dispose of any of the Relevant Shares under certain conditions as set out in the Cornerstone Investment Agreement, such as, among others, notifying our Company, the Sole Sponsor and the Joint Global Coordinators in writing prior to disposal of the Relevant Shares and ensuring that any such disposal is strictly in compliance with the applicable laws and regulations including the Listing Rules and the SFO and does not create a disorderly or false market of our Shares.

UNDERWRITING

HONG KONG UNDERWRITERS

Alliance Capital Partners Limited
Aristo Securities Limited
China Industrial Securities International Capital Limited
China Investment Securities International Brokerage Limited
China Sky Securities Limited
GLAM Capital Limited
Luk Fook Securities (HK) Limited
RaffAello Securities (HK) Limited
SPDB International Capital Limited
SynerWealth Financial Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (acting on behalf of all Hong Kong Underwriters) shall have the right, in its sole and absolute discretion to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company and the Hong Kong Underwriters with immediate effect at any time prior to 8: 00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
 - (i) any statement or information, or any matter or circumstance that renders or could render any statement or information, contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and/or the International Placing (including any supplement or amendment to any of the documents) (collectively, the “**Offer Documents**”) was or has or may become, untrue, incorrect or misleading in any material respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions; or
 - (ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) any material breach of, or any event rendering untrue or incorrect or misleading in any material respect, any of the warranties or representations set out in the Hong Kong Underwriting Agreement and the warranties or representations in the International Underwriting Agreement given by our Company and the Controlling Shareholders; or
 - (iv) any material breach of any of the obligations, confirmations or undertakings of our Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

UNDERWRITING

- (v) any material event, act or omission which gives or may give or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or
 - (vi) any information, matter or event which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):
 - (1) is inconsistent in any material respect with any information contained in Form B in Appendix 5 to the Listing Rules given by the Directors; or
 - (2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or
 - (vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or
 - (viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing of the Shares on the Main Board, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (ix) our Company withdraws any of this prospectus or the Application Forms (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (x) any expert (other than the Joint Global Coordinators and any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
 - (xi) the investment commitments by the Cornerstone Investor after signing the Cornerstone Investment Agreement have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (b) there develops, occurs, exists, or comes into effect:
- (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international

UNDERWRITING

financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, Macau, Taiwan, China, any member of the European Union, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or

- (ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application of the law by any court or other competent authority in any of the Relevant Jurisdictions; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) 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, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (1) any moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the European Union, Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by any member of the European Union on any of the Relevant Jurisdictions; or

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- (vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively the “**Organisations**”) of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or
- (x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or
- (xi) 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
- (xii) the chairman or chief executive officer of our Company vacating his/her office; or
- (xiii) a material contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any applicable law; or
- (xiv) a prohibition on our Company for whatever reason from allotting and issuing the Offer Shares (including any additional Shares issued under the exercise of the Over-allotment Option) under the terms of the Global Offering; or
- (xv) material non-compliance of this prospectus, the Application Forms (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other applicable law; or
- (xvi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription

UNDERWRITING

of the Offer Shares) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or
- (xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which lead to material adverse impact on the business operation and financial performance of our Group; or
- (xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,

and which in each case or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (i) is or will or may or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or
- (ii) has or will have or may have or is likely to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (iii) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus; or
- (iv) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering

UNDERWRITING

(including processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof) to be performed or implemented as envisaged.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Lock-up undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue of Shares under the Capitalisation Issue, the Global Offering, the Over-allotment Option and any options which may be granted under the Share Option Scheme, at any time during the first six-month period commencing on the Listing Date and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), our Company will not, and will cause each member of our Group not to, and each of the our Company and the Controlling Shareholders undertakes to procure that our Company will not, unless in compliance with the requirements of the Listing Rules:

- (A) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, 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 option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our Company’s share capital or securities of our Company or any of its subsidiaries or any interest therein or any voting right or any other right attaching thereto (including but not limited to any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our Company’s share or debt capital); or
- (B) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our Company’s or any of its subsidiaries’ securities or any voting right or any other right attaching thereto; or
- (C) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in paragraph (A) or (B) above; or
- (D) publicly announce any intention to enter into any transaction described in (A), (B) or (C) above,

whether any of the foregoing transactions described in paragraph (A), (B) or (C) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Our Company further agrees that in the event of an issue or a disposal of any Shares, securities or any interest of our Company’s securities or any of its subsidiaries’ securities or any voting right or any other right attaching thereto after the First Six-Month Period, our Company shall take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option, the Stock Borrowing Agreement or the Share Option Scheme, our Controlling Shareholders will not, unless otherwise in compliance with the requirements of the Listing Rules, at any time:

- (i) from the date of this prospectus and up to and including 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 Shares in respect of which the Controlling Shareholders are shown by the Prospectus to be the beneficial owner;
- (ii) during the period of six months commencing on the date on which the First Six-Month Period expires (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 Shares referred to in paragraph (i) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the controlling shareholders of the Company; and
- (iii) at any time during the period from the commencement of the First Six-Month Period to the date on which the Second Six-Month Period expires, it/he will:
 - (a) when it/he pledges or charges any shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, it/he will immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Stock Exchange in writing of such pledge or charge together with the number of Shares so pledged or charged; and
 - (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Stock Exchange in writing of such indications.

Our Company agrees and undertakes to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and each of the Hong Kong Underwriters that upon receiving such information in writing from any of our Controlling Shareholders shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement.

UNDERWRITING

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that that, except pursuant to the Global Offering or any issue of Shares or securities in compliance with Rules 10.08(1) to (4) of the Listing Rules, at any time during the First Six-Month Period, it shall not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company or grant or agree to grant any options, rights, interests or encumbrances over any Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or offer to or agree to do any of the foregoing or having any intention to do so.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to the Stock Exchange that, our Controlling Shareholders will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (i) from the date of this prospectus and up to and including 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 Shares in respect of which the Controlling Shareholders are shown by the Prospectus to be the beneficial owner;
- (ii) 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 Shares referred to in paragraph (i) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the controlling shareholders of the Company; and
- (iii) during the period from the commencement of the First Six-Month Period to the date on which the Second Six-Month Period expires, it/he will:
 - (a) when it/he pledges or charges any shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, it/he will immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint

UNDERWRITING

Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Stock Exchange in writing of such pledge or charge together with the number of Shares so pledged or charged; and

- (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Stock Exchange in writing of such indications.

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, inter alia, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the International Placing Shares initially being offered pursuant to the International Placing (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Underwriting arrangements and expenses – Hong Kong Public Offering – Lock-up undertakings pursuant to the Hong Kong Underwriting Agreement” in this section.

Commission and expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of 9.0% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$17.1 million (based on the mid-point of our indicative Offer Price range).

UNDERWRITING

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.9 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$59.1 million in total, and are payable by our Company.

JOINT GLOBAL COORDINATORS' AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Global Coordinators and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting arrangements and expenses – Commission and expenses” in this section.

We have appointed China Industrial Securities International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed in this section and in this prospectus, none of the Joint Global Coordinators and the Hong Kong Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE STRUCTURE OF THE GLOBAL OFFERING

THE STRUCTURE OF THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. SPDB International Capital Limited and China Industrial Securities International Capital Limited are the Joint Global Coordinators to the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 10,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Placing of 90,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S under the U.S. Securities Act as described below under the paragraph headed “The International Placing” in this section.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Placing which are not allowed and are bound to be rejected.

The 100,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$2.1 per Hong Kong Offer Share and is expected to be not less than HK\$1.7 per Hong Kong Offer Share. In the event that the Joint Global Coordinators (for themselves and on behalf of the underwriters) and our Company are unable to reach agreement on the Offer Price within the indicative Offer Price range on or before Tuesday, 7 January 2020, the Global Offering will not proceed and will lapse.

THE STRUCTURE OF THE GLOBAL OFFERING

Price payable upon application for the Hong Kong Offer Shares

Applicants under the Hong Kong Public Offering will be required to pay the maximum indicative Offer Price of HK\$2.1 plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,242.32 for each board lot of 2,000 Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$2.1, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to apply for Hong Kong Offer Shares – 13. Refund of your application monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Monday, 6 January 2020.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our 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 around Monday, 6 January 2020 and in any event, no later than Tuesday, 7 January 2020.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Tuesday, 7 January 2020, the Global Offering will not proceed and will lapse.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators 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 the Shares after Listing. Such allocation may be made to professional, institutional and corporate 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 our Company and our Shareholders as a whole.

THE STRUCTURE OF THE GLOBAL OFFERING

Allocation of the Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Global Offering and the Capitalisation Issue, the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the agreement on the final Offer Price between the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of respective agreements,

in each case, on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement is conditional upon the other becoming unconditional and not having been terminated in accordance with its terms.

THE STRUCTURE OF THE GLOBAL OFFERING

If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Global Offering will be caused to be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.forward-fashion.com** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares – 13. Refund of your application monies" in this prospectus. In the meantime, all application money received from the Hong Kong Public Offering will be held in a separate bank account (or separate bank accounts) with the receiving bankers or other licenced bank(s) in Hong Kong.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 10,000,000 Shares under the Hong Kong Public Offering, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of a public offer in Hong Kong, subject to adjustment as mentioned below, the number of Offer Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" above.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size), namely Pool A and Pool B, both of which will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares. Pool A will comprise 5,000,000 Hong Kong Offer Shares and Pool B will comprise 5,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and

THE STRUCTURE OF THE GLOBAL OFFERING

may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

Allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

- (a) Where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deems appropriate;
 - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 20,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 20,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 30,000,000 Offer Shares, representing 30% of the total number of Offer Shares initially available under the Global Offering;
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 30,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 40,000,000 Offer Shares, representing 40% of the total number of Offer Shares initially available under the Global Offering; and

THE STRUCTURE OF THE GLOBAL OFFERING

- (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then 40,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 50,000,000, representing 50% of the total number of Offer Shares initially available under the Global Offering.
- (b) Where the International Placing Shares are not fully subscribed:
 - (i) if the Hong Kong Offer Shares are not fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 20,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 20,000,000 Offer Shares) and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.7 per Offer Share) stated in this prospectus.

For reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in accordance with paragraph (a)(ii) to (v) or (b)(ii) above, the number of Offer Shares allocated to the International Placing will correspondingly be reduced, and such additional Hong Kong Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering in such manner as the Joint Global Coordinators deem appropriate.

THE STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of Shares to be initially offered for subscription under the International Placing will be 90,000,000 Shares, representing 90% of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). The International Placing is subject to the Hong Kong Public Offering becoming unconditional. The International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the option which may be granted under the Share Option Scheme.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in paragraph headed “Determining the Offer Price” above in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further 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 our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option which is exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) starting from the Listing Date and is expected to expire on the 30th day after the last day of lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Joint Global Coordinators (on behalf of the International Underwriters) to allot and issue up to and not more than 15,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Stabilising Manager may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Gold Star or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 15,000,000 new Shares will represent approximately 3.6% of our Company’s enlarged issued share capital immediately after

THE STRUCTURE OF THE GLOBAL OFFERING

completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, an announcement will be made.

STOCK BORROWING AGREEMENT

SPDB International Capital Limited, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Gold Star, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Gold Star will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Gold Star under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed from Gold Star must be returned to it or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full; and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Gold Star by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

THE STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, as the Stabilising Manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong and elsewhere, over-allocate Shares or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which is expected to begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

THE STRUCTURE OF THE GLOBAL OFFERING

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares, representing 15% of the offer shares initially being offered under the Global Offering and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 15,000,000 Shares from Gold Star, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our 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.

COMMENCEMENT OF DEALINGS

Assuming that the Global Offering becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Monday, 13 January 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing or otherwise participated in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or through the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Monday, 30 December 2019 to 12:00 noon on Friday, 3 January 2020 from:

- (i) the following offices of the Hong Kong Underwriters:

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Alliance Capital Partners Limited
1502 to 03A
15/F of Wing On House
71 Des Voeux Road Central
Central
Hong Kong

China Investment Securities International Brokerage Limited
Unit Nos. 7701A & 05B-08
Level 77, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Sky Securities Limited
Unit 1803-04, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

GLAM Capital Limited
Room 908-911
Nan Fung Tower
88 Connaught Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Luk Fook Securities (HK) Limited
Units 2201–2207 & 2213–2214
22/F, Cosco Tower
183 Queen’s Road Central
Hong Kong

RaffAello Securities (HK) Limited
Unit 1701
17/F., Grand Millennium Plaza
181 Queen’s Road Central
Sheung Wan
Hong Kong

Aristo Securities Limited
Room 101
1st Floor, On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

SynerWealth Financial Limited
Unit A
7th Floor, King Palace Plaza
55 King Yip Street
Kwun Tong
Kowloon
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
New Territories	Yuen Long (Hang Fat Mansion) Branch	8–18 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 December 2019 until 12:00 noon on Friday, 3 January 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – FORWARD FASHION 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. Monday, 30 December 2019
9:00 a.m. to 5:00 p.m. Tuesday, 31 December 2019
9:00 a.m. to 5:00 p.m. Thursday, 2 January 2020
9:00 a.m. to 12:00 noon. Friday, 3 January 2020

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 January 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and Extreme Conditions on the Opening and the Closing of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and 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 Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) 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) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; 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 THE **HK eIPO WHITE FORM** SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the **HK eIPO White Form** Service

You may submit your application through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** or the **IPO App** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, 30 December 2019 until 11:30 a.m. on Friday, 3 January 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 3 January 2020, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather and Extreme Conditions on the Opening and the Closing of the Application Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company 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 Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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).

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;

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- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisors 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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. Monday, 30 December 2019
8:00 a.m. to 8:30 p.m. Tuesday, 31 December 2019
8:00 a.m. to 8:30 p.m. Thursday, 2 January 2020
8:00 a.m. to 12:00 noon. Friday, 3 January 2020

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Note:

- (1) 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 Monday, 30 December 2019 until 12:00 noon on Friday, 3 January 2020 (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, 3 January 2020, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather and Extreme Conditions on the Opening and the Closing of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 3 January 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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 the **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,

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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 HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer 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 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

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 “The Structure of the Global Offering – Offer Price” of this prospectus.

10. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND THE CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or

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- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 January 2020.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or Extreme Conditions 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, 3 January 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 10 January 2020 on our Company’s website at **www.forward-fashion.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.forward-fashion.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, 10 January 2020;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** or the **IPO App** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 10 January 2020 to 12:00 midnight on Thursday, 16 January 2020;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 10 January 2020 to Wednesday, 15 January 2020 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 10 January 2020 to Tuesday, 14 January 2020 at the receiving bank’s designated branches on a Business Day.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “The Structure of the Global Offering” of 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 HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (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 our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk** or through the **IPO App**;
- 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;
- our Company or any of the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.1 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “The Structure of the Global Offering – Conditions of the Global Offering” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 10 January 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named 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).

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 10 January 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 13 January 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 10 January 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 10 January 2020, by ordinary post and at your own risk.

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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 or before Friday, 10 January 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 January 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020, or any other place or date notified by our Company as the place or 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 and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 10 January 2020 by ordinary post and at your own risk.

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- 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 specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 10 January 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the sub-paragraph headed "Publication of results" above in this section on Friday, 10 January 2020.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 January 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 10 January 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 10 January 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FORWARD FASHION (INTERNATIONAL) HOLDINGS COMPANY LIMITED AND CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Forward Fashion (International) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-96, which comprises the consolidated statements of financial position as at 31 December, 2016, 2017 and 2018 and 31 July, 2019, the statement of financial position of the Company as at 31 July, 2019, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December, 2016, 2017 and 2018 and for the seven months ended 31 July, 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December, 2019 (the "Prospectus") in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 July, 2019 and the consolidated financial position of the Group as at 31 December, 2016, 2017 and 2018 and 31 July, 2019, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the seven months ended 31 July, 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial

Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 34 to the Historical Financial Information which states that no dividends that have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

30 December, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HKD'000) except when otherwise indicated.

Consolidated statements of profit or loss

		Year ended 31 December,			Seven months ended	
		2016	2017	2018	2018	2019
	Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(Unaudited)	
Revenue	5	950,148	1,066,630	1,344,865	756,370	891,871
Cost of sales	5,8	(454,869)	(476,612)	(614,510)	(350,403)	(417,876)
Gross profit		495,279	590,018	730,355	405,967	473,995
Selling and marketing expenses	8	(403,152)	(426,371)	(509,385)	(286,314)	(348,774)
General and administrative expenses	8	(53,253)	(69,701)	(74,614)	(46,556)	(69,674)
Other income	5,6	211	8,977	8,225	3,200	508
Other (losses)/gains, net	5,7	(6,341)	(4,160)	(3,165)	(3,184)	3,855
Operating profit		32,744	98,763	151,416	73,113	59,910
Finance income	10	92	281	324	147	181
Finance costs	10	(25,877)	(22,925)	(25,166)	(13,771)	(18,755)
Finance costs, net		(25,785)	(22,644)	(24,842)	(13,624)	(18,574)

		Year ended 31 December,			Seven months ended	
		2016	2017	2018	31 July,	2019
	Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(Unaudited)	
Profit before income tax		6,959	76,119	126,574	59,489	41,336
Income tax expense	11	(1,177)	(15,959)	(17,997)	(7,784)	(11,316)
Profit for the year/period		<u>5,782</u>	<u>60,160</u>	<u>108,577</u>	<u>51,705</u>	<u>30,020</u>
Attributable to:						
Equity holders of the						
Company		7,933	60,786	103,941	49,739	28,987
Non-controlling interests		(2,151)	(626)	4,636	1,966	1,033
Earnings per share						
Basic and diluted earnings						
per share	12	<u>13</u>	<u>101</u>	<u>173</u>	<u>83</u>	<u>48</u>

Note: The earnings per share presented above has not been taken into account the proposed capitalization issue pursuant to the resolutions in writing of the shareholders passed on 17 December 2019 because the proposed capitalization issue has not become effective as at period end.

Consolidated statements of comprehensive income

		Year ended 31 December,			Seven months ended	
		2016	2017	2018	2018	2019
	Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(Unaudited)	
Profit for the year/period		<u>5,782</u>	<u>60,160</u>	<u>108,577</u>	<u>51,705</u>	<u>30,020</u>
Other comprehensive (loss)/income for the year/period						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation differences	26	<u>(6,393)</u>	<u>7,071</u>	<u>(5,489)</u>	<u>(4,116)</u>	<u>(554)</u>
Other comprehensive (loss)/income for the year/period, net of tax		<u>(6,393)</u>	<u>7,071</u>	<u>(5,489)</u>	<u>(4,116)</u>	<u>(554)</u>
Total comprehensive (loss)/income for the year/period		<u>(611)</u>	<u>67,231</u>	<u>103,088</u>	<u>47,589</u>	<u>29,466</u>
Attributable to:						
Equity holders of the Company		1,699	67,825	98,551	45,657	28,411
Non-controlling interests		<u>(2,310)</u>	<u>(594)</u>	<u>4,537</u>	<u>1,932</u>	<u>1,055</u>

Consolidated statements of financial position

		As of 31 December,			As of
		2016	2017	2018	31 July,
	Notes	HKD'000	HKD'000	HKD'000	2019
					HKD'000
Assets					
Non-current assets					
Property, plant and equipment	13	93,786	106,847	111,912	180,858
Right-of-use assets	14	338,601	305,472	349,555	410,709
Intangible assets	15	12,931	8,717	7,051	6,254
Investment in insurance contract	16	28,131	29,199	30,407	31,014
Deferred tax assets	17	18,328	12,759	13,035	12,750
Prepayment	21	1,179	16,506	20,819	1,958
Other receivables and deposit	22	19,429	24,432	23,326	36,666
Total non-current assets		<u>512,385</u>	<u>503,932</u>	<u>556,105</u>	<u>680,209</u>
Current assets					
Inventories	18	256,956	265,269	341,764	426,562
Trade receivable	20	45,812	57,292	66,846	66,039
Prepayment	21	35,418	42,395	59,801	59,327
Amount due from related parties	36	59,579	26,149	24,267	27,011
Other receivables and deposit	22	44,085	35,891	52,403	51,475
Restricted cash	24	16,454	33,211	35,927	30,427
Cash and cash equivalents	23	46,197	84,730	85,731	109,701
Total current assets		<u>504,501</u>	<u>544,937</u>	<u>666,739</u>	<u>770,542</u>
Total assets		<u>1,016,886</u>	<u>1,048,869</u>	<u>1,222,844</u>	<u>1,450,751</u>
Equity					
Share capital	25	–	–	–	–*
Share premium	25	–	–	–	691,000
Reserves	26	97,982	105,251	100,237	(591,329)
(Accumulated losses)/retained earnings		<u>(18,126)</u>	<u>12,430</u>	<u>104,697</u>	<u>132,693</u>
Capital and reserve attributable to equity holders of the Company		<u>79,856</u>	<u>117,681</u>	<u>204,934</u>	<u>232,364</u>
Non-controlling interest in equity		<u>(5,246)</u>	<u>(5,800)</u>	<u>(1,263)</u>	<u>(208)</u>
Total equity		<u>74,610</u>	<u>111,881</u>	<u>203,671</u>	<u>232,156</u>

* Less than HKD1,000

		As of 31 December,			As of
		2016	2017	2018	31 July,
Notes		HKD'000	HKD'000	HKD'000	2019
					HKD'000
Liabilities					
Non-current liabilities					
Borrowings	27	152,160	149,316	133,112	165,735
Lease liabilities	28	229,602	191,209	226,001	257,815
Provisions	29	2,344	2,469	2,622	4,421
Financial liabilities at fair value					
through profit or loss	30	9,422	10,733	11,630	7,241
Other non-current liabilities	31	2,365	684	6,555	7,121
Deferred tax liabilities	17	439	537	1,618	2,689
Other payables	32	34,350	32,420	19,694	9,975
Total non-current liabilities		430,682	387,368	401,232	454,997
Current liabilities					
Trade and other payables	32	152,036	148,989	195,590	271,814
Amount due to related parties	36	140,253	148,230	157,399	169,491
Other current liabilities	31	1,833	2,456	4,145	6,083
Contract liabilities	33	4,411	1,525	3,203	2,262
Lease liabilities	28	139,001	151,742	157,783	184,431
Provisions	29	1,004	3,268	3,704	3,079
Income tax liabilities		2,709	8,183	18,901	24,956
Borrowings	27	70,347	85,227	77,216	101,482
Total current liabilities		511,594	549,620	617,941	763,598
Total liabilities		942,276	936,988	1,019,173	1,218,595
Total equity and liabilities		1,016,886	1,048,869	1,222,844	1,450,751

Statements of financial position of the Company	<i>Notes</i>	As at 31 July, 2019 HKD'000
Assets		
Non-current assets		
Investment in subsidiaries		691,000
Total non-current assets		691,000
Current assets		
Prepayment	21	5,700
Total current assets		5,700
Total assets		696,700
Equity		
Equity attributable to equity holders of the Company		
Share capital	25	—*
Share premium	25	691,000
Accumulated losses		(16,593)
Total equity		674,407
Liabilities		
Current liabilities		
Trade and other payables	32	22,293
Total current liabilities		22,293
Total liabilities		22,293
Total equity and liabilities		696,700

* Less than HKD1,000

Consolidated statements of changes in equity

		Attributable to equity holders of the Company						
		Retained earnings/						
		Share capital	Share premium	Reserve (Note 26)	(accumulated losses)	Sub-total	Non-controlling interests	Total equity
Notes		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at								
	1 January, 2016	—	—	103,691	12,466	116,157	(2,936)	113,221
Total comprehensive income for the year								
	Profit/(loss) for the year	—	—	—	7,933	7,933	(2,151)	5,782
	Other comprehensive loss for the year	26	—	(6,234)	—	(6,234)	(159)	(6,393)
		—	—	(6,234)	7,933	1,699	(2,310)	(611)
Transactions with owners:								
	Dividends and distributions	34	—	—	(38,000)	(38,000)	—	(38,000)
	Appropriation to reserve	26	—	525	(525)	—	—	—
		—	—	525	(38,525)	(38,000)	—	(38,000)
Balance at								
	31 December, 2016	—	—	97,982	(18,126)	79,856	(5,246)	74,610

		Attributable to equity holders of the Company						
		(Accumulated				Non-		
		Share	Share	Reserve	losses)/	Sub-total	controlling	Total
		capital	premium	(Note 26)	retained		interests	equity
Notes		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at								
	1 January, 2017	—	—	97,982	(18,126)	79,856	(5,246)	74,610
Total comprehensive income for the year								
	Profit/(loss) for the year	—	—	—	60,786	60,786	(626)	60,160
	Other comprehensive income for the year	26	—	7,039	—	7,039	32	7,071
		—	—	7,039	60,786	67,825	(594)	67,231
Transactions with owners:								
	Capital injection from non-controlling interests	—	—	—	—	—	40	40
	Dividends and distributions	34	—	—	(30,000)	(30,000)	—	(30,000)
	Appropriation to reserve	26	—	230	(230)	—	—	—
		—	—	230	(30,230)	(30,000)	40	(29,960)
Balance at								
	31 December, 2017	—	—	105,251	12,430	117,681	(5,800)	111,881

Attributable to equity holders of the Company							
	Share capital	Share premium	Reserve (Note 26)	Retained earnings	Sub-total	Non- controlling interests	Total equity
Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at							
1 January, 2018	—	—	105,251	12,430	117,681	(5,800)	111,881
Total comprehensive income							
for the year							
Profit for the year	—	—	—	103,941	103,941	4,636	108,577
Other comprehensive loss for the year	26	—	(5,390)	—	(5,390)	(99)	(5,489)
	—	—	(5,390)	103,941	98,551	4,537	103,088
Transactions with owners:							
Dividends and distributions	34	—	—	(11,298)	(11,298)	—	(11,298)
Appropriation to reserve	26	—	376	(376)	—	—	—
	—	—	376	(11,674)	(11,298)	—	(11,298)
Balance at							
31 December, 2018	—	—	100,237	104,697	204,934	(1,263)	203,671

		Attributable to equity holders of the Company						
(Unaudited)	Notes	Share capital	Share premium	Reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		HKD'000	HKD'000	(Note 26) HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at 1 January, 2018		—	—	105,251	12,430	117,681	(5,800)	111,881
Total comprehensive income for the period								
Profit for the period		—	—	—	49,739	49,739	1,966	51,705
Other comprehensive income for the period	26	—	—	(4,082)	—	(4,082)	(34)	(4,116)
		—	—	(4,082)	49,739	45,657	1,932	47,589
Transactions with owners:								
Dividends and distributions	34	—	—	—	(9,500)	(9,500)	—	(9,500)
		—	—	—	(9,500)	(9,500)	—	(9,500)
Balance at 31 July, 2018		—	—	101,169	52,669	153,838	(3,868)	149,970

Attributable to equity holders of the Company							
	Share capital	Share premium	Reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Notes	HKD'000	HKD'000	(Note 26) HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at 1 January, 2019	—	—	100,237	104,697	204,934	(1,263)	203,671
Total comprehensive income for the period							
Profit for the period	—	—	—	28,987	28,987	1,033	30,020
Other comprehensive income for the period	26	—	(576)	—	(576)	22	(554)
	—	—	(576)	28,987	28,411	1,055	29,466
Transactions with owners:							
Capital injection from equity holders	—	—	10	—	10	—	10
Effect of reserve in relation to Reorganisation	—	691,000	(691,000)	—	—	—	—
Dividends and distributions	34	—	—	(991)	(991)	—	(991)
	—	691,000	(690,990)	(991)	(981)	—	(981)
Balance at 31 July, 2019	—	691,000	(591,329)	132,693	232,364	(208)	232,156

Consolidated statements of cash flows

		Year ended 31 December,			Seven months ended	
		2016	2017	2018	2018	2019
	Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	35	260,879	325,070	303,225	212,935	214,498
Income tax paid		(5,357)	(4,083)	(6,890)	(1,166)	(3,921)
Net cash generated from operating activities		<u>255,522</u>	<u>320,987</u>	<u>296,335</u>	<u>211,769</u>	<u>210,577</u>
Cash flows from investing activities						
Interest income received		92	281	324	147	181
Proceeds from disposal of property, plant and equipment	35	51	75	261	780	–
Purchase of intangible assets		(3,063)	(2,626)	(3,442)	(2,049)	(1,580)
Loan to third parties		(20,331)	(3,460)	–	–	–
Repayment of loan to third parties		10,294	13,356	–	–	–
Loans to related parties		(25,624)	(3,460)	–	–	–
Repayment of loans to related parties		14,330	14,595	–	–	–
Purchase of property, plant and equipment		(73,921)	(46,445)	(90,417)	(42,598)	(81,204)
Net cash used in investing activities		<u>(98,172)</u>	<u>(27,684)</u>	<u>(93,274)</u>	<u>(43,720)</u>	<u>(82,603)</u>

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	2018	2019
Notes	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Cash flows from financing activities					
Proceeds from borrowings	90,949	120,209	85,664	36,450	154,434
Contribution from a minority shareholder	–	40	–	–	–
Interest paid	(9,414)	(8,272)	(10,118)	(5,390)	(7,878)
Dividends paid to company's shareholders	(38,000)	(30,000)	(11,298)	(9,500)	(991)
Loans from third parties	18,576	–	–	–	–
Repayment of loans due to third parties	(7,370)	(15,662)	–	–	–
Repayment of loans from related parties	(24,067)	(52,640)	(20,561)	(8,892)	(2,710)
Repayment of borrowings	(81,975)	(110,539)	(107,339)	(72,287)	(97,246)
Loans from related parties	54,295	17,936	51,402	3,082	788
Payment for listing fee	–	–	(678)	–	(3,409)
Payment of lease liabilities	(171,122)	(174,180)	(190,824)	(105,469)	(147,083)
Net cash used in financing activities	<u>(168,128)</u>	<u>(253,108)</u>	<u>(203,752)</u>	<u>(162,006)</u>	<u>(104,095)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(10,778)</u>	<u>40,195</u>	<u>(691)</u>	<u>6,043</u>	<u>23,879</u>
Cash and cash equivalents at beginning of the year/period	55,922	46,197	84,730	84,730	85,731
Effect on exchange rate difference	<u>1,053</u>	<u>(1,662)</u>	<u>1,692</u>	<u>1,437</u>	<u>91</u>
Cash and cash equivalents at end of the year/period	<u>46,197</u>	<u>84,730</u>	<u>85,731</u>	<u>92,210</u>	<u>109,701</u>

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Forward Fashion (International) Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 16 May, 2019. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investing holding company and its subsidiaries (together the “Group”) are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model in Macau, Mainland China, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited (“Gold Star”), a company incorporated in the British Virgin Islands (the “BVI”) and is wholly-owned by Mr. Fan Wing Ting (“Mr. Fan”), the ultimate controlling shareholder (the “Controlling shareholder”) of the Group.

These financial statements are presented in Hong Kong dollars (“HKD”), unless otherwise stated.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was principally operated by Shouwei Trading (Shenzhen) Co., Ltd, Yingliang Trading (Shenzhen) Co., Ltd, Macau Ieng Nam Limited (“Macau Ieng Nam”) and Ieng Leong Company Limited (“Ieng Leong”) (collectively, the “Operating Companies”), which were controlled by Mr. Fan throughout the Track Record Period.

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganisation to transfer the Listing Business to the Company principally through the following steps. Details of the Reorganisation are set out as below:

Incorporation of the Company

On 16 May, 2019, the Company was incorporated in the Cayman Islands as a wholly-owned subsidiary of Gold Star, which is controlled by Mr. Fan. On the date of incorporation, one share was allotted and issued at par to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Gold Star on the same day at par.

Incorporation of Fortune Fashion Limited (“Fortune Fashion”)

On 20 May, 2019, Fortune Fashion was incorporated in the BVI as a wholly-owned subsidiary of the Company.

Incorporation of Frontline Fashion Limited (“Frontline Fashion”)

On 20 May, 2019, Frontline Fashion was incorporated in the BVI as a wholly-owned subsidiary of Fortune Fashion and indirect wholly-owned subsidiary of the Company.

Share swap with Fortune Fashion

On 2 July 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in World First Holdings Limited (“World First Holdings”) and Yingnan Asia Limited (“Yingnan Asia”) were transferred to Fortune Fashion, in consideration of the Company issuing 100 shares and 100 shares in the Company, respectively, to Gold Star.

On 3 July, 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in World First International Holdings Limited (“World First International”) was transferred to Fortune Fashion, in consideration of the Company issuing 99 shares in the Company to Gold Star.

As a result, World First International, World First Holdings and Yingnan Asia became wholly-owned subsidiaries of Fortune Fashion and indirect wholly-owned subsidiary of the Company.

Acquisitions by World First Holdings

On 3 July, 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in Wide Spread (China) Limited (“Wide Spread”), Sao Hang Limited (“Sao Hang”) and Sao Wai Limited (“Sao Wai”) were transferred to World First Holdings, in consideration of Company issuing 100 shares, 100 shares and 100 shares in the Company, respectively, to Gold Star.

As a result, Wide Spread, Sao Hang and Sao Wai became direct wholly-owned subsidiaries of World First Holdings and an indirect wholly-owned subsidiaries of the Company.

Acquisitions by Frontline Fashion and Macau Ieng Nam

On 5 July, 2019, Frontline Fashion and Macau Ieng Nam entered into a sale and purchase agreement with Mr. Fan and Ms. PY Fan Po Yuk (“Ms. PY Fan”), the sister of Mr. Fan, pursuant to which entire ordinary shares in Ieng Leong, Ieng Weng Company Limited (“Ieng Weng”), Lan Yuan Company Limited (“Lan Yuan”) and Sao Wai Investment Company Limited (“Sao Wai Investment”) were transferred to Frontline Fashion and Macau Ieng Nam at a nominal amount of MOP 24,000 and MOP 1,000, respectively, for each of Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment.

As a result, Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment are owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

Acquisition by World First International

On 23 July, 2019, World First International entered into a sale and purchase agreement with Mr. Fan, pursuant to which 4% of the ordinary shares in Macau Ieng Kun Company Limited (“Macau Ieng Kun”) were transferred to World First International at a nominal amount of MOP1,000.

As a result, Macau Ieng Kun is owned as to 96% and 4% by NB China Limited (“NB China”) and World First International, respectively, and an indirect wholly-owned subsidiary of the Company.

Acquisitions by Frontline Fashion and Fortune Fashion

On 23 July, 2019, Frontline Fashion and Fortune Fashion entered into a sale and purchase agreement with Mr. Fan and Ms. PY Fan, pursuant to which (i) Mr. Fan transferred 79% and 20% of the shares capital in Macau Ieng Nam to Frontline Fashion and Fortune Fashion at a nominal amount of MOP79,000 and MOP20,000, respectively and (ii) Ms. PY Fan transferred 1% of the shares capital in Macau Ieng Nam to Fortune Fashion at a nominal amount of MOP1,000.

As a result, Macau Ieng Nam is owned as to 79% and 21% by Frontline Fashion and Fortune Fashion, respectively, and an indirect wholly-owned subsidiary of the Company. In addition, Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment became an indirect wholly-owned subsidiary of the Company.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Listing Business, were under common control of Mr. Fan, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Mr. Fan immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Fan, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Fan's perspective. No amount is recognised in consideration for 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 business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Historical Financial Information has been prepared under the historical cost convention, except that investment in insurance contracts are stated at its cash surrender value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January, 2018 and 2019, including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases", are consistently applied to the Group throughout the Track Record Period.

2.1.1 *New standards and interpretations not yet been adopted*

Standards, amendments and interpretations that have been issued but not yet effective on 1 January, 2019 and not been early adopted by the Group are as follows:

	Effective for annual periods
IFRS 17 – Insurance contract	1 January, 2022
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 3 – Definition of business	1 January, 2020
Amendments to IAS 1 and IAS 8 – Definition of material	1 January, 2020

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the parent to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction – that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the financial statements.

2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

2.4 *Foreign currency translation***2.4.1 *Functional and presentation currency***

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency and presentation currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using the currency of the primary economic environment in which the entity operates. The Company's primary subsidiaries were incorporated in the PRC, Macau and Hong Kong, and these subsidiaries considered Renminbi ("RMB"), Macau Patacas ("MOP") and Hong Kong dollars ("HKD") as their functional currency, respectively.

2.4.2 *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of profit or loss.

2.4.3 *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income/(loss).

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Estimated useful lives or remaining lease terms, whichever is shorter
Leasehold improvements	
Building	50 years
Vehicle	5 years
Office furniture and equipment	3–5 years
Computer and electric equipment	3–4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of profit or loss.

2.6 Intangible assets

(i) Software

Costs associated with maintaining the software programmes are recognised as an expense as incurred. Separately acquired softwares are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Licence rights

Licence rights have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at fair value of the consideration given to acquire at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license rights.

The Group amortises most intangible assets with a limited useful life using the straight-line method over the following periods:

Software	4–5 years
License rights	3–7 years

The useful life of license rights are determined based on the contract term of the license granted to the Group.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Group has the following types of financial assets subject to expected credit loss model:

- trade receivables for sales of goods or provision of services
- other receivables and deposit
- amount due from related parties
- restricted cash
- cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Impairment of other receivables and amount due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(v) Derecognition of financial instruments

Financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Inventories consist mainly of retail goods and the net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business. Majority of other receivables are rental deposits, staff advance and value-added tax recoverable. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.8 for a description of the Group's impairment policy for trade and other receivables.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that with original maturity less than 3 months are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.16.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets.

2.16.2 Deferred income tax

(i) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits**2.17.1 Pension obligations**

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

For other defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17.2 Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2.17.3 Short-term benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2.17.4 Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17.5 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.18 Provisions

Provisions for legal claims are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Make good provisions has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, when the Group is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

1.1 Sales of goods – retail

The Group operates a chain of retail outlets for selling a lot of different brands of luxury apparel and accessories. Sales are recognised when the Group sells the apparel and accessories to the customer.

Payment of the transaction price is due immediately when the customer purchases the apparel and accessories and takes delivery in store. Although the end customer has a right of return within 7 days, based on accumulated experience, the returns were insignificant for years and it is highly unlikely that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.2 Sales of goods – wholesale

The Group sells limited brands of luxury apparel and accessories in the wholesale market. Sales are recognised when control of the apparel and accessories has been transferred, being when the goods are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesalers' acceptance of the goods.

Delivery occurs when the wholesaler has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Costs to obtain a contract as incurred are expensed as the expected amortisation period is one year or less.

1.3 Store management and consignment service

The Group provides store management service to other retail customers over a specific period of time and earns a variable fee calculated based on an agreed percentage of the store turnover. There is no minimum management fee entitled by the Group, e.g. fixed per day. The management fee is recognised and billed to customers based on the actual store turnover in that month. The Group also earns consignment fee as calculated based on a percentage of each sales transaction for sale of consignment goods placed in its retail stores to end customers. The Group has no legal ownership of consignment goods and is an agent to sell the goods for the owners.

As a practical expedient, the Group elects not to disclose the information for remaining performance obligation of store management and consignment service as the contract have an original expected duration of less than one year or the portion with variable consideration.

2.20 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.21 Contract liabilities

Certain wholesale customers are required to pay down deposit upon entering into a contract, and such advance payment from customers are classified as contract liabilities and are recognised as revenue at the point in time when the good are transferred to the wholesale customer.

2.22 Subsidies and rebates from suppliers, franchisers and shopping malls

Cash discount and on time payment discounts for purchase from suppliers is recognised as a reduction in cost of inventories or cost of sales when the inventory is sold.

Subsidies from the franchisers for reimbursement of rental and stores decoration without any commitment of future purchases from franchisers are included in other current/non-current liabilities and are credited to profit or loss under “cost of sales” on a straight-line basis over the expected leasing term of related stores or franchise period.

Subsidies from the shopping malls for reimbursement of stores decoration are included in other current/non-current liabilities and are credited to profit or loss under “selling and marketing expenses” on a straight-line basis over the expected leasing term of related stores.

2.23 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The subsequent changes in fair value are recognised in profit or loss as no derivative is designated as a hedging instrument.

2.24 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise information technology equipment and small items of office furniture with value below HKD10,000.

2.25 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Investment in insurance contract

The management life insurance contracts of the Group include both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB and the subsidiaries operate in Macau is MOP. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group's subsidiaries in PRC operate mainly in PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than RMB.

The Group's Hong Kong and Macau subsidiaries are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in USD and EUR. For the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, if HKD had strengthened/weakened by 5% against USD and EUR with all other variables held constant, post-tax profit for the years/periods would have been HKD2,301,000 higher/lower, HKD2,664,000 higher/lower, HKD2,562,000 higher/lower, HKD2,542,000 higher/lower and HKD4,325,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated and EUR-denominated borrowings, accounts payable and cash and cash equivalents.

The Group does not hedge against any fluctuation in foreign currencies during the Track Record Period.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

For the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year end 31 December,			Seven month ended	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
(Decrease)/increase in					
post-tax profit					
– 0.5% higher	(739)	(634)	(733)	(420)	(496)
– 0.5% lower	739	634	733	420	496

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 27.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, amount due from related parties as well as trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Credit quality is assessed, which takes into account of their financial position, past experience and other forward looking factors. The Group is not exposed to significant credit risk as all the counterparties are large shopping malls and credit card companies where the Company operates its stores and settles its funds.

For other receivables and amount due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from related parties. Based on historical settlement records and past experience, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and amount due from related parties.

The expected credit loss rate for financial assets measured at amortised cost is close to zero considering both historical and forwarding-looking information as explained in Note 20 and Note 22.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the business of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below set out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

	Less than one year HKD'000	Between 1 year and 2 years HKD'000	Between 2 years and 5 years HKD'000	Over 5 years HKD'000	Total HKD'000	Carrying amount HKD'000
As of 31 December, 2016						
Trade and other payables (excluding other taxes payable, salaries payable)	126,556	3,383	30,967	–	160,906	160,906
Amount due to related parties	140,253	–	–	–	140,253	140,253
Borrowings	73,350	27,044	37,356	101,605	239,355	222,507
Lease liabilities	149,547	121,075	121,292	9,081	400,995	368,603

As of 31 December, 2017

Trade and other payables (excluding other taxes payable, salaries payable)	116,027	16,748	15,672	–	148,447	148,447
Amount due to related parties	148,230	–	–	–	148,230	148,230
Borrowings	87,995	19,164	69,873	89,352	266,384	234,543
Lease liabilities	162,178	114,382	90,813	4,527	371,900	342,951

As of 31 December, 2018

Trade and other payables (excluding other taxes payable, salaries payable)	148,795	12,349	7,345	–	168,489	168,489
Amount due to related parties	157,399	–	–	–	157,399	157,399
Borrowings	79,703	19,155	61,588	78,914	239,360	210,328
Lease liabilities	169,905	112,813	124,871	2,964	410,553	383,784

As of 31 July, 2019

Trade and other payables (excluding other taxes payable, salaries payable)	229,349	6,255	3,720	–	239,324	239,324
Amount due to related parties	169,491	–	–	–	169,491	169,491
Borrowings	106,556	23,970	68,653	81,398	280,577	267,217
Lease liabilities	198,332	136,298	131,080	1,051	466,761	442,246

Company

	Less than one year HKD'000	Between 1 year and 2 years HKD'000	Between 2 years and 5 years HKD'000	Over 5 years HKD'000	Total HKD'000	Carrying amount HKD'000
As of 31 July, 2019						
Trade and other payables (excluding other taxes payable, salaries payable)	22,293	–	–	–	22,293	22,293

3.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing, lease liabilities, loan from third parties and loan from related parties less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. For the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019, the gearing ratio of the Group were as follows:

	As of 31 December,			As of 31 July,
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Net debt (<i>Note 35</i>)	680,820	581,074	625,580	715,004
Total capital	755,430	692,955	829,251	947,160
Gearing ratio	0.90	0.84	0.75	0.75

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements Level 3 HKD'000

At 31 July, 2019

Financial liabilities

Financial liabilities at fair value through profit or loss	7,241

Recurring fair value measurements

Level 3
HKD'000

At 31 December, 2018

Financial liabilities

Financial liabilities at fair value through profit or loss	11,630

Recurring fair value measurements**Level 3**
HKD'000**At 31 December, 2017****Financial liabilities**Financial liabilities at fair value through profit or loss 10,733**Recurring fair value measurements****Level 3**
HKD'000**At 31 December, 2016****Financial liabilities**Financial liabilities at fair value through profit or loss 9,422

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the Monte Carlo simulation
- discounted cash flow analysis

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December, 2016, 2017 and 2018 and seven months ended 31 July, 2018 and 2019:

	Year ended 31 December,			Seven months ended	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 31 July, HKD'000 (Unaudited)	2019 HKD'000
At the beginning of the year/period	8,187	9,422	10,733	10,733	11,630
Change in fair value (Note 7)	1,235	1,311	897	523	(4,389)
At the end of the year/period	<u>9,422</u>	<u>10,733</u>	<u>11,630</u>	<u>11,256</u>	<u>7,241</u>
Total	9,422	10,733	11,630	11,256	7,241
Net unrealised losses/(gains) for the year/period	<u>1,235</u>	<u>1,311</u>	<u>897</u>	<u>523</u>	<u>(4,389)</u>

(iv) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

Description	Fair value at 31 July			As at 31 December			Relationship of unobservable inputs to fair value		Sensitivity analysis
	2016	2017	2018	2016	2017	2018	2016	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Financial liabilities at fair value through profit/loss	9,422	10,733	11,630	7,241	Discount rate	17.0%	15.0%	15.5%	As at 31 December 2016, 2017 and 2018 and 31 July, 2019, an increase in the discount rate by 100 bps would decrease the FV by HK\$460,000, HK\$421,000, HK\$567,000 and HK\$315,000 respectively.
									As at 31 December 2016, 2017 and 2018 and 31 July, 2019, a decrease in the discount rate by 100 bps would increase the FV by HK\$483,000, HK\$438,000, HK\$596,000 and HK\$329,000 respectively.
					Annualized EBITDA Drift	40.0%	20.0%	10.0%	As at 31 December 2016, 2017 and 2018 and 31 July, 2019, an increase in the annualized EBITDA drift by 5% would increase the FV by HK\$3,170,000, HK\$2,747,000, HK\$3,929,000 and HK\$1,827,000 respectively.
									As at 31 December 2016, 2017 and 2018 and 31 July, 2019, a decrease in the annualized EBITDA drift by 5% would decrease the FV by HK\$2,025,000, HK\$1,854,000, HK\$3,398,000 and HK\$1,598,000 respectively.

Note: the EBITDA volatility is not a sensitive input.

(v) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset or liability.
- Enterprise value (EV)/Earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples are based on the information of comparable companies.
- Drift rates of EBITDA multiples are estimated based on the entity's knowledge of the business and how the current economic environment is likely to impact it.
- EBITDA multiples and EBITDA volatilities are based on the respective historical measures of comparable companies.

4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Provision for inventories is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The identification and quantification of inventory provisions requires the use of judgement and estimates. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the year in which such estimates have been changed. Management reassesses these estimates at the end of each period.

(b) Impairment on property, plant and equipment and right-of-use assets

At the end of each period, the Group reviews the internal and external sources of information to identify indications that property, plant and equipment and right-of-use assets may be impaired. Management judgment is required in the area of impairment on property, plant and equipment and right-of-use assets, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. An impairment loss of property, plant and equipment and right-of-use assets is established when there is objective evidence that the carrying amount of property, plant and equipment and right-of-use assets exceeds its recoverable amount.

The Group has material operational leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test in the event of trading performance is below expectation. An asset

impairment assessment was carried out against retail stores which still underperform after one year's operation since opening. Management has performed discounted cash flow analysis on the retail stores with impairment indicators and the recoverable amounts were determined based on value-in-use calculations of these retail stores. Key assumptions used in the calculations including the revenue growth rate, gross margin, store costs such as rent, payroll costs and general operating costs and discount rate.

(c) Current and deferred income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) Fair value measurement of financial instruments

The fair value assessment of financial instruments that are measured at level 3 fair value hierarchy requires significant estimates, which include annualised EBITDA drift, annualised EBITDA volatility, EV/EBITDA multiple, EV/EBITDA volatility, discount rate and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial instruments.

5 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of luxury and fashion clothes and products in the PRC, Macau, Hongkong and other places. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues and segment result. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

APPENDIX I**ACCOUNTANT'S REPORT**

The segment information for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019 are as follows:

	Year ended 31 December, 2016			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	418,650	524,137	41,446	984,233
Inter-segment revenue	(3,019)	(1,255)	(29,811)	(34,085)
Revenue from external customers	415,631	522,882	11,635	950,148
Cost of sales	(213,534)	(236,666)	(4,669)	(454,869)
Selling and marketing expenses	(168,829)	(230,706)	(3,617)	(403,152)
Segment result	33,268	55,510	3,349	92,127
General and administrative expenses				(53,253)
Other income				211
Other losses – net				(6,341)
Finance income				92
Finance costs				(25,877)
Finance costs – net				(25,785)
Profit before income tax expenses				6,959
Income tax expense				(1,177)
Profit for the year				5,782
Depreciation and amortisation	(58,830)	(146,376)	(6,553)	(211,759)
Provision for impairment of property, plant and equipment and right-of-use assets	(5,258)	(3,266)	–	(8,524)
Provision for write-down of inventories	(3,490)	(4,263)	–	(7,753)
Segment non-current assets	128,070	364,453	19,862	512,385
Segment current assets	229,388	241,950	33,163	504,501

	Year ended 31 December, 2017			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	454,496	583,033	88,494	1,126,023
Inter-segment revenue	(3,653)	(1,541)	(54,199)	(59,393)
Revenue from external customers	450,843	581,492	34,295	1,066,630
Cost of sales	(224,532)	(239,375)	(12,705)	(476,612)
Selling and marketing expenses	(157,737)	(254,369)	(14,265)	(426,371)
Segment result	68,574	87,748	7,325	163,647
General and administrative expenses				(69,701)
Other income				8,977
Other losses – net				(4,160)
Finance income				281
Finance costs				(22,925)
Finance costs – net				(22,644)
Profit before income tax expenses				76,119
Income tax expense				(15,959)
Profit for the year				60,160
Depreciation and amortisation	(49,626)	(151,326)	(14,931)	(215,883)
Provision for impairment of property, plant and equipment and right-of-use assets	(2,126)	(13,140)	–	(15,266)
(Provision)/reversal of write-down of inventories	(284)	1,170	–	886
Segment non-current assets	123,774	350,149	30,009	503,932
Segment current assets	209,523	274,358	61,056	544,937

	Year ended 31 December, 2018			
	Mainland China	Macau	HK and others	Total
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Segment revenue	517,410	776,394	131,918	1,425,722
Inter-segment revenue	(10,906)	(2,137)	(67,814)	(80,857)
Revenue from external customers	506,504	774,257	64,104	1,344,865
Cost of sales	(273,506)	(311,212)	(29,792)	(614,510)
Selling and marketing expenses	(183,693)	(299,339)	(26,353)	(509,385)
Segment result	49,305	163,706	7,959	220,970
General and administrative expenses				(74,614)
Other income				8,225
Other losses – net				(3,165)
Finance income				324
Finance costs				(25,166)
Finance costs – net				(24,842)
Profit before income tax expenses				126,574
Income tax expense				(17,997)
Profit for the year				108,577
Depreciation and amortisation	(54,350)	(154,608)	(21,053)	(230,011)
Provision for impairment of property, plant and equipment and right-of-use assets	(1,898)	(2,932)	–	(4,830)
(Provision)/reversal of write-down of inventories	(753)	1,013	–	260
Segment non-current assets	131,533	390,891	33,681	556,105
Segment current assets	249,118	381,895	35,726	666,739

	Seven months ended 31 July, 2018			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
(Unaudited)				
Segment revenue	291,480	438,450	73,858	803,788
Inter-segment revenue	(3,787)	(1,093)	(42,538)	(47,418)
Revenue from external customers	287,693	437,357	31,320	756,370
Cost of sales	(161,999)	(173,917)	(14,487)	(350,403)
Selling and marketing expenses	(105,339)	(169,045)	(11,930)	(286,314)
Segment result	20,355	94,395	4,903	119,653
General and administrative expenses				(46,556)
Other income				3,200
Other losses – net				(3,184)
Finance income				147
Finance costs				(13,771)
Finance costs – net				(13,624)
Profit before income tax expenses				59,489
Income tax expense				(7,784)
Profit for the period				51,705
Depreciation and amortisation	(30,422)	(88,165)	(10,549)	(129,136)
(Provision)/reversal for write-down of inventories	(5,396)	1,084	–	(4,312)
Segment non-current assets	105,690	380,436	46,340	532,466
Segment current assets	197,088	337,619	48,258	582,965

Seven months ended 31 July, 2019				
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	346,025	506,885	93,487	946,397
Inter-segment revenue	(6,888)	(2,646)	(44,992)	(54,526)
Revenue from external customers	339,137	504,239	48,495	891,871
Cost of sales	(177,082)	(217,876)	(22,918)	(417,876)
Selling and marketing expenses	(122,061)	(203,849)	(22,864)	(348,774)
Segment result	39,994	82,514	2,713	125,221
General and administrative expenses				(69,674)
Other income				508
Other gains – net				3,855
Finance income				181
Finance costs				(18,755)
Finance costs – net				(18,574)
Profit before income tax expenses				41,336
Income tax expense				(11,316)
Profit for the period				30,020
Depreciation and amortisation	(53,594)	(101,106)	(15,373)	(170,073)
(Reversal)/provision for write-down of inventories	3,711	(5,157)	–	(1,446)
Segment non-current assets	146,539	495,862	37,808	680,209
Segment current assets	237,074	491,109	42,359	770,542

(a) Revenue by business line and nature

	Year ended 31 December,			Seven months ended	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 HKD'000 (Unaudited)	2019 HKD'000
Retail	904,360	1,008,323	1,278,616	720,521	832,268
Store management and consignment service	32,490	32,396	29,256	17,683	48,571
Wholesale	13,298	25,911	36,993	18,166	11,032
Total	950,148	1,066,630	1,344,865	756,370	891,871

(b) Timing of Revenue Recognition

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Revenue at a point in time	917,658	1,034,234	1,315,609	738,687	843,300
Revenue over time	32,490	32,396	29,256	17,683	48,571
Total	<u>950,148</u>	<u>1,066,630</u>	<u>1,344,865</u>	<u>756,370</u>	<u>891,871</u>

(c) Information about major customers

No individual customer's revenue amounted to 10% or more of the Group's total revenue.

(d) Information about unsatisfied performance obligation

As disclosed in Note 2.19.1.3, the Group elects not to disclose the information for remaining performance obligation of contracts as the contracts have an original expected duration of less than one year or the portion with variable consideration as a practical expedient.

6 OTHER INCOME

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Government grants	164	39	258	194	358
Sale of exhibition materials	47	1,459	2,067	867	150
Subsidy from franchisor on operating loss (a)	–	–	3,761	–	–
Compensation for delayed opening of stores (b)	–	7,479	2,139	2,139	–
	<u>211</u>	<u>8,977</u>	<u>8,225</u>	<u>3,200</u>	<u>508</u>

(a) In 2018, a franchiser of the Group agreed to grant certain amount of subsidies to the Group in relation to the operating loss of two stores which were transferred from the franchiser for the purpose of maintaining long term cooperation relationship.

(b) In 2017, three subsidiaries of the Group signed store opening agreements with a shopping mall landlord, which states if the opening date of the eight stores to be opened occurs later than 31 July, 2017, the shopping mall landlord agrees to compensate the Group. These eight stores were finally opened in February, 2018 and thus the shopping mall landlord agreed to compensate the Group a total amount of MOP9,906,000 (equivalent to HKD9,618,000).

7 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Net changes in cash surrender value of investment in insurance contracts (<i>Note 16</i>)	1,059	1,015	1,068	596	618
(Losses)/gains on the derecognition of right-of-use assets and lease liabilities	(70)	568	1,287	–	220
Confiscated leasing deposit	(928)	(130)	(102)	–	–
Exchange losses	(1,566)	(1,025)	(4,612)	(2,612)	(1,961)
Fair value (losses)/gains on financial liabilities at fair value through profit or losses	(1,235)	(1,311)	(897)	(523)	4,389
Net loss on disposal of property, plant and equipment	(2,051)	(1,737)	(1,077)	–	(441)
Net loss on capital expenditure projects (a)	(2,725)	(406)	–	–	–
Others	1,175	(1,134)	1,168	(645)	1,030
	<u>(6,341)</u>	<u>(4,160)</u>	<u>(3,165)</u>	<u>(3,184)</u>	<u>3,855</u>

(a) Net loss on capital expenditure project were the expenditure loss on stores that ceased plan of opening.

8 EXPENSES BY NATURE

	Year ended 31 December,			Seven months ended 31 July,	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 HKD'000 (Unaudited)	2019 HKD'000
Change in inventories	419,546	447,699	587,933	331,492	373,658
Depreciation of right-of-use assets (Note 14)	166,838	164,892	175,752	97,935	131,614
Employee benefit expenses (Note 9)	134,606	147,975	201,108	115,707	148,295
Depreciation of property, plant and equipment (Note 13)	40,564	46,594	49,637	28,953	36,173
Operating lease expenses (Note 14)	30,557	38,419	60,026	30,856	42,217
Utilities and electricity expenses	20,110	21,727	25,729	13,756	17,673
Property management fee	15,676	18,548	18,149	11,361	13,906
Advertising and promotion expenses	8,876	9,259	12,025	7,385	9,955
Payment processing fee	7,373	8,271	10,605	6,426	7,163
Labour cost	13,476	12,792	10,126	5,880	5,939
Provision for/(reversal of) inventories impairment	7,753	(886)	(260)	4,312	1,446
Travelling, entertainment and communication expenses	6,094	7,890	8,559	4,510	4,875
Impairment loss on property, plant and equipment (Note 13)	5,850	12,767	3,584	2,740	3,829
Repair and maintenance	4,657	2,623	2,840	1,428	1,874
Amortisation of intangible assets (Note 15)	4,357	4,397	4,622	2,248	2,286
Delivery expenses	3,785	4,838	6,099	3,785	4,559
Office expenses	3,379	2,267	3,078	1,278	1,952
Impairment loss on right-of-use assets (Note 14)	2,674	2,499	1,246	691	1,891
Professional service fees	889	815	873	826	1,261
Auditor's remuneration	207	345	378	99	240
Listing expenses	–	–	2,112	215	16,593
Other expenses	14,007	18,953	14,288	11,390	8,925
	<u>911,274</u>	<u>972,684</u>	<u>1,198,509</u>	<u>683,273</u>	<u>836,324</u>

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	31 July,	2019
	HKD'000	HKD'000	HKD'000	2018	2019
				HKD'000	HKD'000
				(Unaudited)	
Salaries, wages and bonuses	120,079	130,750	178,569	101,525	131,460
Other social security costs, housing benefits and other employee benefits	8,278	9,487	11,573	7,539	8,975
Pension costs – defined contribution plan	6,249	7,738	10,966	6,643	7,860
	<u>134,606</u>	<u>147,975</u>	<u>201,108</u>	<u>115,707</u>	<u>148,295</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019 include 4, 4, 4, 4 and 3 directors. The emoluments of these directors are reflected in the analysis shown in Note 37. The emoluments payable to the remaining individuals during the years are as below:

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	31 July,	2019
	HKD'000	HKD'000	HKD'000	2018	2019
				HKD'000	HKD'000
				(Unaudited)	
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,107	1,178	1,231	699	1,220
Contribution to pension scheme	16	18	20	11	13
Total	<u>1,123</u>	<u>1,196</u>	<u>1,251</u>	<u>710</u>	<u>1,233</u>

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December,			Number of individuals Seven months ended 31 July,	
	2016	2017	2018	2018	2019
				(Unaudited)	
HKD0–500,000	–	–	–	–	–
HKD500,001–1,000,000	–	–	–	1	2
HKD1,000,001–1,500,000	1	1	1	–	–
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>

10 FINANCE INCOME AND EXPENSES

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Finance income					
– Interest income	<u>92</u>	<u>281</u>	<u>324</u>	<u>147</u>	<u>181</u>
Finance expenses					
– Interest expense on leasing liabilities	(16,463)	(14,653)	(15,048)	(8,381)	(10,877)
– Other interest expense	<u>(9,414)</u>	<u>(8,272)</u>	<u>(10,118)</u>	<u>(5,390)</u>	<u>(7,878)</u>
	<u>(25,877)</u>	<u>(22,925)</u>	<u>(25,166)</u>	<u>(13,771)</u>	<u>(18,755)</u>
Finance expenses – net	<u>(25,785)</u>	<u>(22,644)</u>	<u>(24,842)</u>	<u>(13,624)</u>	<u>(18,574)</u>

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Current income tax	5,266	9,557	17,608	8,909	9,976
Deferred income tax related to the temporary differences (Note 17)	<u>(4,089)</u>	<u>6,402</u>	<u>389</u>	<u>(1,125)</u>	<u>1,340</u>
	<u>1,177</u>	<u>15,959</u>	<u>17,997</u>	<u>7,784</u>	<u>11,316</u>

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

Hong Kong

The entities within the Group incorporated and operated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019.

Mainland China corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated and operated in Mainland China and was calculated in accordance with the relevant tax rules and regulations of Mainland China. The general CIT rate is 25% for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019.

Macau

The entities within the Group incorporated and operating in Macau are subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP 32,000 but below MOP 300,000, and thereafter at a fixed rate of 12%. In addition, a special tax incentive has provided to effect that tax free income threshold amounting to MOP 600,000 for the years ended 31 December, 2016, 2017 and 2018.

Taiwan

The entities within the Group operating in Taiwan are subject to Taiwan profits tax at the rate of 20% for the seven months ended 31 July, 2019.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

During the years ended 31 December, 2016, 2017 and 2018 and seven months ended 31 July, 2018 and 2019, Yingliang Trading (Shenzhen) Co., Ltd is the only PRC subsidiary with unremitted earnings whose distribution to owners is subject to withholding tax of 5% and deferred tax liabilities are fully provided on the unremitted earnings.

(b) Numerical reconciliation of income tax expense

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Profit before income tax	6,959	76,119	126,574	59,489	41,336
Tax calculated at applicable statutory tax rate of respective entities	(269)	12,438	15,604	6,303	8,153
Effect of progressive tax rate before statutory tax rate	(86)	(69)	(69)	(69)	(69)
Tax preference	(458)	(491)	(449)	(365)	(856)
Withholding income tax on the profits to be distributed by the group companies in the mainland China	628	65	(165)	(101)	343
Tax effect of unrecognised tax losses	517	670	514	276	721
Utilisation of previously unrecognised tax losses	(2,410)	(130)	(8)	–	–
Items not deductible for tax purposes	3,255	3,476	2,570	1,740	3,124
Income tax expense	<u>1,177</u>	<u>15,959</u>	<u>17,997</u>	<u>7,784</u>	<u>11,316</u>

Items not deductible for tax purposes mainly includes the provision of outstanding social security and housing provident fund and impairment and disposal loss of inventories and properties without declaration.

The weighted average applicable tax rate is influenced by the change in the profitability of the group's subsidiaries in the respective regions. There is no change of the tax rate of the respective regions during for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019.

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December,			Seven months ended	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	31 July, 2018 HKD'000 (Unaudited)	2019 HKD'000
Profit attributable to equity holders of the Company	7,933	60,786	103,941	49,739	28,987
Weighted average number of ordinary shares in issue	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>
Basic earnings per share (<i>note</i>)	<u>13</u>	<u>101</u>	<u>173</u>	<u>83</u>	<u>48</u>

Note: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective years/periods. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation.

- (b) No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the Track Record Period.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold	Vehicle	Office	Computer	Total
	<i>HKD'000</i>	<i>improvements</i>	<i>HKD'000</i>	<i>furniture</i>	<i>and</i>	<i>HKD'000</i>
		<i>HKD'000</i>		<i>equipment</i>	<i>electronic</i>	
				<i>HKD'000</i>	<i>equipment</i>	
				<i>HKD'000</i>	<i>HKD'000</i>	
At 1 January, 2016						
Cost	1,596	118,624	3,391	15,509	4,051	143,171
Accumulated depreciation and impairment provision	(1,579)	(58,332)	(1,396)	(5,503)	(2,132)	(68,942)
Net book amount	<u>17</u>	<u>60,292</u>	<u>1,995</u>	<u>10,006</u>	<u>1,919</u>	<u>74,229</u>
Year ended 31 December, 2016						
Opening net book amount	17	60,292	1,995	10,006	1,919	74,229
Additions	15,728	49,500	–	3,431	707	69,366
Depreciation	(17)	(33,912)	(647)	(4,880)	(1,108)	(40,564)
Impairment provision	–	(3,814)	–	(1,920)	(116)	(5,850)
Exchange differences	–	(864)	(8)	(374)	(47)	(1,293)
Disposals	–	(1,132)	(128)	(720)	(122)	(2,102)
Net book amount	<u>15,728</u>	<u>70,070</u>	<u>1,212</u>	<u>5,543</u>	<u>1,233</u>	<u>93,786</u>
At 31 December, 2016						
Cost	17,324	150,974	3,048	16,475	3,876	191,697
Accumulated depreciation and impairment provision	(1,596)	(80,904)	(1,836)	(10,932)	(2,643)	(97,911)
Net book amount	<u>15,728</u>	<u>70,070</u>	<u>1,212</u>	<u>5,543</u>	<u>1,233</u>	<u>93,786</u>
Year ended 31 December, 2017						
Opening net book amount	15,728	70,070	1,212	5,543	1,233	93,786
Additions	–	62,506	1,520	6,221	2,584	72,831
Depreciation	(315)	(40,283)	(1,028)	(3,577)	(1,391)	(46,594)
Impairment provision	–	(12,214)	–	(493)	(60)	(12,767)
Exchange differences	–	986	2	374	41	1,403
Disposals	–	(857)	(35)	(877)	(43)	(1,812)
Net book amount	<u>15,413</u>	<u>80,208</u>	<u>1,671</u>	<u>7,191</u>	<u>2,364</u>	<u>106,847</u>

	Buildings <i>HKD'000</i>	Leasehold improvements <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office furniture and equipment <i>HKD'000</i>	Computer and electronic equipment <i>HKD'000</i>	Total <i>HKD'000</i>
At 31 December, 2017						
Cost	17,324	201,205	4,404	20,346	7,324	250,603
Accumulated depreciation and impairment provision	(1,911)	(120,997)	(2,733)	(13,155)	(4,960)	(143,756)
Net book amount	<u>15,413</u>	<u>80,208</u>	<u>1,671</u>	<u>7,191</u>	<u>2,364</u>	<u>106,847</u>
Year ended 31 December, 2018						
Opening net book amount	15,413	80,208	1,671	7,191	2,364	106,847
Additions	–	55,050	332	4,931	1,189	61,502
Depreciation	(315)	(43,145)	(555)	(4,280)	(1,342)	(49,637)
Impairment provision	–	(2,802)	–	(731)	(51)	(3,584)
Exchange differences	–	(1,556)	–	(291)	(31)	(1,878)
Disposals	–	(1,071)	(159)	(104)	(4)	(1,338)
Net book amount	<u>15,098</u>	<u>86,684</u>	<u>1,289</u>	<u>6,716</u>	<u>2,125</u>	<u>111,912</u>
At 31 December, 2018						
Cost	17,324	230,864	4,084	21,833	7,974	282,079
Accumulated depreciation and impairment provision	(2,226)	(144,180)	(2,795)	(15,117)	(5,849)	(170,167)
Net book amount	<u>15,098</u>	<u>86,684</u>	<u>1,289</u>	<u>6,716</u>	<u>2,125</u>	<u>111,912</u>
Seven months ended 31 July, 2019						
Opening net book amount	15,098	86,684	1,289	6,716	2,125	111,912
Additions	66,253	40,080	–	1,618	1,565	109,516
Depreciation	(736)	(32,178)	(255)	(2,160)	(844)	(36,173)
Impairment provision	–	(3,824)	–	(5)	–	(3,829)
Exchange differences	–	(96)	–	(16)	(15)	(127)
Disposals	–	(213)	(223)	–	(5)	(441)
Net book amount	<u>80,615</u>	<u>90,453</u>	<u>811</u>	<u>6,153</u>	<u>2,826</u>	<u>180,858</u>

	Buildings	Leasehold	Vehicle	Office furniture and equipment	Computer and electronic equipment	Total
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
At 31 July, 2019						
Cost	83,577	267,911	3,770	22,305	9,426	386,989
Accumulated depreciation and impairment provision	(2,962)	(177,458)	(2,959)	(16,152)	(6,600)	(206,131)
Net book amount	<u>80,615</u>	<u>90,453</u>	<u>811</u>	<u>6,153</u>	<u>2,826</u>	<u>180,858</u>

As at 31 December, 2016, 2017, 2018 and 31 July, 2019, the Group performed impairment test on the operational leasehold improvements used in the retail stores with discounted cash flow analysis and recognised impairment loss of HKD5,850,000, HKD12,767,000, HKD3,584,000 and HKD3,829,000.

As at 31 December, 2016, 2017, and 2018, no property, plant, and equipment was pledged as security. As at 31 July, 2019, a building amounted to HKD 63,422,000 is pledged for first mortgage of bank borrowings.

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statements of profit or loss as follows:

	Years ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
				(Unaudited)	
Selling and marketing expenses	36,649	40,816	45,027	26,682	33,618
Administrative expenses	<u>3,915</u>	<u>5,778</u>	<u>4,610</u>	<u>2,271</u>	<u>2,555</u>
	<u>40,564</u>	<u>46,594</u>	<u>49,637</u>	<u>28,953</u>	<u>36,173</u>

14. RIGHT-OF-USE ASSETS

	As of 31 December,			As of 31 July,
	2016	2017	2018	2019
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Retail stores	326,455	283,127	334,139	396,273
Vehicle	2,071	1,371	1,302	3,256
Office	<u>10,075</u>	<u>20,974</u>	<u>14,114</u>	<u>11,180</u>
	<u>338,601</u>	<u>305,472</u>	<u>349,555</u>	<u>410,709</u>

APPENDIX I**ACCOUNTANT'S REPORT**

	Retail stores <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office <i>HKD'000</i>	Total <i>HKD'000</i>
At 1 January, 2016				
Cost	521,637	–	16,590	538,227
Accumulated depreciation and impairment	(143,882)	–	(7,428)	(151,310)
Net book amount	<u>377,755</u>	<u>–</u>	<u>9,162</u>	<u>386,917</u>
Year ended 31 December, 2016				
Opening net book amount	377,755	–	9,162	386,917
Additions	129,445	2,573	6,067	138,085
Depreciation	(161,757)	(502)	(4,579)	(166,838)
Provision for impairment loss	(2,674)	–	–	(2,674)
Early termination of lease contracts	(10,956)	–	–	(10,956)
Exchange differences	(5,358)	–	(575)	(5,933)
Closing net book amount	<u>326,455</u>	<u>2,071</u>	<u>10,075</u>	<u>338,601</u>
At 31 December, 2016				
Cost	576,172	2,573	19,941	598,686
Accumulated depreciation and impairment	(249,717)	(502)	(9,866)	(260,085)
Net book amount	<u>326,455</u>	<u>2,071</u>	<u>10,075</u>	<u>338,601</u>
Year ended 31 December, 2017				
Opening net book amount	326,455	2,071	10,075	338,601
Additions	113,758	–	16,664	130,422
Depreciation	(157,877)	(700)	(6,315)	(164,892)
Provision for impairment loss	(2,499)	–	–	(2,499)
Early termination of lease contracts	(1,477)	–	–	(1,477)
Exchange differences	4,767	–	550	5,317
Closing net book amount	<u>283,127</u>	<u>1,371</u>	<u>20,974</u>	<u>305,472</u>
At 31 December, 2017				
Cost	624,319	2,574	34,229	661,122
Accumulated depreciation and impairment	(341,192)	(1,203)	(13,255)	(355,650)
Net book amount	<u>283,127</u>	<u>1,371</u>	<u>20,974</u>	<u>305,472</u>

	Retail stores <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office <i>HKD'000</i>	Total <i>HKD'000</i>
Year ended 31 December, 2018				
Opening net book amount	283,127	1,371	20,974	305,472
Additions	228,813	766	–	229,579
Depreciation	(168,251)	(835)	(6,666)	(175,752)
Provision for impairment loss	(1,246)	–	–	(1,246)
Early termination of lease contracts	(5,325)	–	–	(5,325)
Exchange differences	(2,979)	–	(194)	(3,173)
Closing net book amount	<u>334,139</u>	<u>1,302</u>	<u>14,114</u>	<u>349,555</u>
At 31 December, 2018				
Cost	654,616	3,341	31,238	689,195
Accumulated depreciation and impairment	<u>(320,477)</u>	<u>(2,039)</u>	<u>(17,124)</u>	<u>(339,640)</u>
Net book amount	<u>334,139</u>	<u>1,302</u>	<u>14,114</u>	<u>349,555</u>
	Retail stores <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office <i>HKD'000</i>	Total <i>HKD'000</i>
Seven months ended 31 July, 2019				
Opening net book amount	334,139	1,302	14,114	349,555
Additions	200,378	2,938	120	203,436
Depreciation	(128,020)	(844)	(2,750)	(131,614)
Provision for impairment loss	(1,891)	–	–	(1,891)
Early termination	(7,035)	(140)	(290)	(7,465)
Exchange differences	(1,298)	–	(14)	(1,312)
Closing net book amount	<u>396,273</u>	<u>3,256</u>	<u>11,180</u>	<u>410,709</u>
At 31 July, 2019				
Cost	743,780	6,139	29,993	779,912
Accumulated depreciation and impairment	<u>(347,507)</u>	<u>(2,883)</u>	<u>(18,813)</u>	<u>(369,203)</u>
Net book amount	<u>396,273</u>	<u>3,256</u>	<u>11,180</u>	<u>410,709</u>

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Expense relating to variable lease payments not included in lease liabilities (Note 8)	30,557	38,419	60,026	30,856	42,217
Depreciation charge of right-of-use assets	166,838	164,892	175,752	97,935	131,614
Interest expenses (included in finance cost) (Note 10)	16,463	14,653	15,048	8,381	10,877

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension option and no residual value guarantee are included in such property and equipment leases across the Group. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, some of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the Group with such variable lease contracts, for the years ended 31 December, 2016, 2017, 2018 and the seven months ended 31 July, 2018 and 2019 would increase total lease payments by approximately HKD1,528,000, HKD1,921,000, HKD3,001,000, HKD1,543,000 and HKD2,111,000, respectively.

The total cash outflows for leases payment including lease liabilities, interest expenses on leases and variable lease payment, for the years ended 31 December, 2016, 2017, 2018 and the seven months ended 31 July, 2018 and 2019 were HKD197,602,000, HKD232,583,000, HKD240,244,000, HKD133,404,000 and HKD193,733,000, respectively.

15 INTANGIBLE ASSETS

	Software HKD'000	License rights HKD'000	Total HKD'000
At 1 January, 2016			
Cost	535	8,187	8,722
Accumulated amortisation	(107)	(910)	(1,017)
Net book amount	428	7,277	7,705
Year ended 31 December, 2016			
Opening net book amount	428	7,277	7,705
Additions	896	8,744	9,640
Amortisation	(230)	(4,127)	(4,357)
Exchange differences	(57)	–	(57)
Net book amount	1,037	11,894	12,931
At 31 December, 2016			
Cost	1,358	16,931	18,289
Accumulated amortisation	(321)	(5,037)	(5,358)
Net book amount	1,037	11,894	12,931
Year ended 31 December, 2017			
Opening net book amount	1,037	11,894	12,931
Additions	115	–	115
Amortisation	(270)	(4,127)	(4,397)
Exchange differences	68	–	68
Net book amount	950	7,767	8,717
At 31 December, 2017			
Cost	1,573	16,931	18,504
Accumulated amortisation	(623)	(9,164)	(9,787)
Net book amount	950	7,767	8,717
Year ended 31 December, 2018			
Opening net book amount	950	7,767	8,717
Additions	494	2,516	3,010
Amortisation	(227)	(4,395)	(4,622)
Exchange differences	(54)	–	(54)
Net book amount	1,163	5,888	7,051

	Software HKD'000	License rights HKD'000	Total HKD'000
At 31 December, 2018			
Cost	1,977	19,447	21,424
Accumulated amortisation	(814)	(13,559)	(14,373)
Net book amount	1,163	5,888	7,051
Seven months ended 31 July, 2019			
Opening net book amount	1,163	5,888	7,051
Additions	297	1,200	1,497
Amortisation	(146)	(2,140)	(2,286)
Exchange differences	(8)	–	(8)
Net book amount	1,306	4,948	6,254
At 31 July, 2019			
Cost	2,204	10,702	12,906
Accumulated amortisation	(898)	(5,754)	(6,652)
Net book amount	1,306	4,948	6,254

Amortisation of the Group's intangible assets has been recognised in the consolidated statements of profit or loss as follows:

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Cost of sales	4,127	4,127	4,395	2,248	2,140
Administrative expenses	230	270	227	–	146
	4,357	4,397	4,622	2,248	2,286

16 INVESTMENT IN INSURANCE CONTRACT

	Investment in insurance contract HKD'000
Balance as at 1 January, 2016	26,993
Foreign exchange gain	79
Net increase in cash surrender value credited to profit or loss	<u>1,059</u>
Balance as at 31 December, 2016	28,131
Foreign exchange gain	53
Net increase in cash surrender value credited to profit or loss	<u>1,015</u>
Balance as at 31 December, 2017	29,199
Foreign exchange gain	140
Net increase in cash surrender value credited to profit or loss	<u>1,068</u>
Balance as at 31 December, 2018	30,407
Foreign exchange loss	(11)
Net increase in cash surrender value credited to profit or loss	<u>618</u>
Balance as at 31 July, 2019	<u><u>31,014</u></u>

The investment in insurance contract represents the investments in life insurance product issued by HSBC to one director, Ms. Fan Tammy, of the Company, at the amount of USD4 million (equivalent to approximately HKD31 million). It is pledged for the bank loans of Ieng Nam Company limited from the Hongkong and Shanghai Banking Corporation Limited. The effective date of the insurance was 22 September, 2015 with a sum insured of USD11,200,000. A guaranteed minimum crediting rate of 2% applies to the insurance.

17 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Deferred income tax assets				
– to be recovered after more than 12 months	11,160	10,793	10,182	9,379
– to be recovered within 12 months	7,168	1,966	2,853	3,371
	<u>18,328</u>	<u>12,759</u>	<u>13,035</u>	<u>12,750</u>
Deferred income tax liabilities				
– to be recovered after more than 12 months	439	537	1,493	2,217
– to be recovered within 12 months	–	–	125	472
	<u>439</u>	<u>537</u>	<u>1,618</u>	<u>2,689</u>
	<u>17,889</u>	<u>12,222</u>	<u>11,417</u>	<u>10,061</u>

The net movement on the deferred income tax account is as follows:

	Year ended 31 December,			Seven
	2016	2017	2018	months
	HKD'000	HKD'000	HKD'000	ended
				31 July,
				2019
				HKD'000
At beginning of the year	14,705	17,889	12,222	11,417
Credited/(charged) to consolidated statement of profit or loss (<i>Note 11</i>)	4,089	(6,402)	(389)	(1,340)
Exchange differences	<u>(905)</u>	<u>735</u>	<u>(416)</u>	<u>(16)</u>
At end of the year	<u>17,889</u>	<u>12,222</u>	<u>11,417</u>	<u>10,061</u>

The movement in deferred income tax assets and liabilities during the period without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets

	Depreciation and amortisation HKD'000	Inventory- provision HKD'000	Other current/ non-current liabilities HKD'000	Lease liabilities HKD'000	Tax losses HKD'000	Legal provision HKD'000	Total HKD'000
At 1 January, 2016	–	1,851	1,074	60,655	9,263	–	72,843
Credit/(charge) to consolidated statement of profit or loss	327	912	(391)	(4,509)	1,454	–	(2,207)
Exchange differences	–	(157)	(50)	(1,478)	(590)	–	(2,275)
At 31 December, 2016	327	2,606	633	54,668	10,127	–	68,361
Credit/(charge) to consolidated statement of profit or loss	400	69	(97)	(5,319)	(8,048)	492	(12,503)
Exchange differences	–	185	41	1,354	366	18	1,964
At 31 December, 2017	727	2,860	577	50,703	2,445	510	57,822
Credit/(charge) to consolidated statement of profit or loss	(727)	196	2,208	6,670	(1,156)	–	7,191
Exchange differences	–	(139)	(110)	(881)	(69)	(23)	(1,222)
At 31 December, 2018	–	2,917	2,675	56,492	1,220	487	63,791
Credit/(charge) to consolidated statement of profit or loss	–	(931)	648	9,029	465	–	9,211
Exchange differences	–	3	(22)	(148)	(4)	(2)	(173)
At 31 July, 2019	–	1,989	3,301	65,373	1,681	485	72,829

Deferred income tax liabilities

	Withholding tax on undistributed profits <i>HKD'000</i>	Right-of-use assets <i>HKD'000</i>	Depreciation and amortisation <i>HKD'000</i>	Total <i>HKD'000</i>
At 1 January, 2016	–	58,137	–	58,137
(Credited)/charged to consolidated statement of profit or loss	460	(6,755)	–	(6,295)
Exchange differences	(21)	(1,349)	–	(1,370)
At 31 December, 2016	439	50,033	–	50,472
(Credited)/charged to consolidated statement of profit or loss	65	(6,166)	–	(6,101)
Exchange differences	33	1,196	–	1,229
At 31 December, 2017	537	45,063	–	45,600
Credited/(charged) to consolidated statement of profit or loss	(165)	6,437	1,308	7,580
Exchange differences	(17)	(744)	(45)	(806)
At 31 December, 2018	355	50,756	1,263	52,374
(Credited)/charged to consolidated statement of profit or loss	156	9,463	932	10,551
Exchange differences	(5)	(140)	(12)	(157)
At 31 July, 2019	506	60,079	2,183	62,768

The Group has the following unrecognised tax losses:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	2019 <i>HKD'000</i>
Unused tax losses for which no deferred tax asset has been recognised – without expiration date	9,598	13,606	16,515	20,408
Unused tax losses for which no deferred tax asset has been recognised – with expiration date	1,084	69	282	936
Potential tax benefit	1,714	2,254	2,760	3,481

Deferred income tax liabilities

Tax losses carried forward with expiration date expire in the following years:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	2019
				<i>HKD'000</i>
2019	1,084	–	–	–
2020	–	69	–	–
2021	–	–	282	282
2022	–	–	–	654
	<u>1,084</u>	<u>69</u>	<u>282</u>	<u>936</u>

18 INVENTORIES

	As of 31 December,			As of
	2016	2017	2018	31 July,
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	2019
				<i>HKD'000</i>
Fashion wears and accessories	285,509	293,667	369,376	456,986
Less: provision for impairment	<u>(28,553)</u>	<u>(28,398)</u>	<u>(27,612)</u>	<u>(30,424)</u>
	<u>256,956</u>	<u>265,269</u>	<u>341,764</u>	<u>426,562</u>
Inventory measured at cost	214,524	221,361	310,719	388,986
Inventory measured at net realisable value	<u>42,432</u>	<u>43,908</u>	<u>31,045</u>	<u>37,576</u>
	<u>256,956</u>	<u>265,269</u>	<u>341,764</u>	<u>426,562</u>

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in “cost of sales” in the consolidated statements of profit or loss.

For the years ended 31 December, 2016, 2017, 2018 and the seven months ended 31 July, 2018 and 2019, the cost of inventories recognised as expense and included in “cost of sales” amounted to HKD427,299,000, HKD446,813,000, HKD587,673,000, HKD335,804,000 and HKD377,330,000, respectively.

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of 31 December,			As of
		2016	2017	2018	31 July,
	Note	HKD'000	HKD'000	HKD'000	2019
					HKD'000
Financial assets					
Financial assets at amortised cost					
Trade receivable	20	45,812	57,292	66,846	66,039
Amount due from related parties	36	59,579	26,149	24,267	27,011
Other receivables and deposit (excluding value-added tax recoverable)	22	51,710	53,060	64,083	79,147
Cash and cash equivalents	23	46,197	84,730	85,731	109,701
Restricted cash		16,454	33,211	35,927	30,427
		<u>219,752</u>	<u>254,442</u>	<u>276,854</u>	<u>312,325</u>
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (excluding other taxes payable, salaries payable)	32	160,906	148,447	168,489	239,324
Amount due to related parties	36	140,253	148,230	157,399	169,491
Borrowings	27	222,507	234,543	210,328	267,217
Lease liabilities	28	368,603	342,951	383,784	442,246
		<u>892,269</u>	<u>874,171</u>	<u>920,000</u>	<u>1,118,278</u>
Financial liabilities at fair value					
Financial liabilities at fair value through profit or loss		<u>9,422</u>	<u>10,733</u>	<u>11,630</u>	<u>7,241</u>
		<u>901,691</u>	<u>884,904</u>	<u>931,630</u>	<u>1,125,519</u>

20 TRADE RECEIVABLE

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Trade receivables				
Due from third parties	45,812	57,292	66,846	66,039
Less: provision for impairment of trade receivables	—	—	—	—
Net trade receivables	<u>45,812</u>	<u>57,292</u>	<u>66,846</u>	<u>66,039</u>

The directors of the Company consider the credit risk of trade receivables are low and the impairment provision of trade receivables is insignificant after taking into consideration that: (i) all of the receivables are due from shopping malls who would centrally collect all the revenue and settle with the Company quarterly or credit card companies with good reputation; (ii) no significant receivable is beyond the settlement credit period; (iii) the Group has no default history with the shopping malls and (iv) available reasonable and supportive forwarding-looking information shows low risk of default.

Trade receivables are denominated in the following currencies:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
RMB	38,671	43,491	47,455	48,196
MOP	5,061	12,783	12,395	15,666
HKD	2,080	1,018	6,996	1,767
TWD		—	—	410
	<u>45,812</u>	<u>57,292</u>	<u>66,846</u>	<u>66,039</u>

The credit terms of trade receivables granted by the Group are generally 1-3 months. For the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Within 3 months	45,415	56,893	65,265	63,796
Over 3 months and within 6 months	276	82	1,062	1,116
Over 6 months and within 1 year	121	317	519	1,127
	<u>45,812</u>	<u>57,292</u>	<u>66,846</u>	<u>66,039</u>

21 PREPAYMENTS

Group

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Included in current assets				
– Prepayments to supplier	33,350	40,202	55,412	48,641
– Capitalised listing expense	–	–	594	5,700
– Other prepayments	2,068	2,193	3,795	4,986
	<u>35,418</u>	<u>42,395</u>	<u>59,801</u>	<u>59,327</u>
Included in non-current assets				
– Prepayments for leasehold improvement and furniture	1,179	723	5,036	1,958
– Prepayments for buildings (a)	–	15,783	15,783	–
	<u>1,179</u>	<u>16,506</u>	<u>20,819</u>	<u>1,958</u>
	<u>36,597</u>	<u>58,901</u>	<u>80,620</u>	<u>61,285</u>

Company

	As of 31 December			As of
	2016	2017	2018	31 July
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Included in current assets				
– Capitalised listing expense	–	–	–	5,700

- (a) In May 2017, Ieng Nam Company limited, a subsidiary of the Group, prepaid HKD15,783,000 for the acquisition of properties in Oscar Crescent in Macau. The total cost of the properties was HKD66,222,000 and the Group obtained the ownership of property in February 2019.

22 OTHER RECEIVABLES AND DEPOSIT

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Included in current assets				
– Rental deposits	20,892	18,182	21,098	21,274
– Value-added tax recoverable	11,804	7,263	11,646	8,994
– Loan to third parties (a)	9,592	–	–	–
– Compensation receivables	–	7,479	9,618	9,618
– Staff advance	502	876	1,019	975
– Construction allowance receivables	–	–	6,500	6,500
– Others	1,295	2,091	2,522	4,114
	<u>44,085</u>	<u>35,891</u>	<u>52,403</u>	<u>51,475</u>
Included in non-current assets				
– Rental deposits	<u>19,429</u>	<u>24,432</u>	<u>23,326</u>	<u>36,666</u>
	<u>63,514</u>	<u>60,323</u>	<u>75,729</u>	<u>88,141</u>

(a) Loans to third parties were unsecured, interest-free with term of one year.

The directors of the Company consider the credit risk of other receivables are low and the impairment provision of other receivables is insignificant after taking into consideration that: (i) rental deposits will be refunded once the related rental contracts expire; (ii) the third party has good credit level and no history of default; and (iii) the Group has no significant default history on staff advances and those staff are all still employees servicing the Group.

Other receivables and deposit in non-current portion mainly include deposits for stores leasing. The terms of stores leasing are normally more than one year.

23 CASH AND CASH EQUIVALENTS

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Cash at bank and in hand	<u>46,197</u>	<u>84,730</u>	<u>85,731</u>	<u>109,701</u>

Cash and cash equivalents are denominated in the following currencies:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
HKD	22,946	37,595	35,479	52,057
RMB	13,884	27,385	34,240	37,673
MOP	8,586	18,445	14,841	17,484
EUR	505	1,059	998	1,350
USD	276	246	49	711
TWD	—	—	124	426
	<u>46,197</u>	<u>84,730</u>	<u>85,731</u>	<u>109,701</u>

24 RESTRICTED CASH

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Restricted cash	<u>16,454</u>	<u>33,211</u>	<u>35,927</u>	<u>30,427</u>

Restricted cash mainly includes the security deposits for issuance of letters of credit by banks denominated in HKD and the security deposits for bank loans denominated in HKD.

Cash at bank of RMB1,753,000 (equivalent to HKD2,044,000) were frozen in May 2019 due to a litigation property preservation upheld by the court. (Note 29)

25 Share capital and share premium

The Group and the Company

		Number of shares	Nominal value of shares HKD'000	Share premium HKD'000
Authorised:				
Ordinary shares of HK\$0.01 each;				
16 May, 2019 (date of incorporation)	(a)	38,000,000	380	—
As at 31 July, 2019	(a)	<u>38,000,000</u>	<u>380</u>	<u>—</u>
Issued and fully paid:				
As at 31 December 2016, 2017 and 2018		—	—*	—
At 16 May, 2019 (date of incorporation)	(a)	1	—	—
Issuance of ordinary shares in relation to the Reorganisation of the Group	(b)	599	—	691,000
As at 31 July, 2019		<u>600</u>	<u>—</u>	<u>691,000</u>

- (a) On 16 May 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. On the date of incorporation, one share was allotted and issued at par to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Gold Star on the same day at par. On 5 July 2019, such one Share was credited as fully paid.
- (b) On 2 July, 2019, the Company issued and allotted 200 shares to Gold Star pursuant to the Reorganisation (Note 1.2). On 3 July, 2019, the Company issued and allotted 399 shares to Gold Star pursuant to the Reorganisation (Note 1.2).

* Less than HKD1,000

26 Reserves

	Capital reserve HKD'000	Statutory reserve HKD'000	Currency translation differences HKD'000	Total HKD'000
At 1 January, 2016	108,194	801	(5,304)	103,691
Transfer to statutory reserves (a)	–	525	–	525
Currency translation differences	–	–	(6,234)	(6,234)
At 31 December, 2016	108,194	1,326	(11,538)	97,982
Transfer to statutory reserves (a)	–	230	–	230
Currency translation differences	–	–	7,039	7,039
At 31 December, 2017	108,194	1,556	(4,499)	105,251
Transfer to statutory reserves (a)	–	376	–	376
Currency translation differences	–	–	(5,390)	(5,390)
At 31 December, 2018	108,194	1,932	(9,889)	100,237
At 1 January, 2019	108,194	1,932	(9,889)	100,237
Capital injection from equity holders	10	–	–	10
Effect of Reorganisation	(691,000)	–	–	(691,000)
Currency translation differences	–	–	(576)	(576)
At 31 July, 2019	<u>(582,796)</u>	<u>1,932</u>	<u>(10,465)</u>	<u>(591,329)</u>

(a) Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Also, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their Respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

In addition, in accordance with Macau Commercial Code, the entity incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the entity's capital.

27 BORROWINGS

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Non-current				
Bank loans (a)	152,160	149,316	133,112	165,735
Current				
Bank loans	63,608	64,633	58,037	79,958
Letter of credit loans (b)	6,739	20,594	19,179	21,524
	70,347	85,227	77,216	101,482
	222,507	234,543	210,328	267,217

(a) All borrowings are guaranteed and pledged as shown below:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Guaranteed by Mr. Fan and pledged by his properties	98,004	83,387	60,764	73,077
Guaranteed by Mr. Fan and pledged by his properties and time deposit	–	–	19,179	22,590
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract (Note 16)	124,503	151,156	130,385	123,876
Pledged by buildings (Note 13)	–	–	–	47,674
	222,507	234,543	210,328	267,217

(b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

- (c) The Group's bank borrowings for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019 are denominated in the following currencies:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
RMB	32,442	37,316	40,778	47,725
HKD	159,161	160,633	141,141	194,435
USD	27,404	26,339	28,409	23,990
Euro	3,500	10,255	–	1,067
	<u>222,507</u>	<u>234,543</u>	<u>210,328</u>	<u>267,217</u>

- (d) The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As of 31 December,			As of
	2016	2017	2018	31 July,
				2019
Bank borrowings	<u>3.30%</u>	<u>3.37%</u>	<u>3.65%</u>	<u>3.76%</u>

- (e) The following tables sets forth the ranges of the effective interest rate on our bank borrowings as of the dates indicated:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	%	%	%	2019
				%
Fixed-rate bank borrowings	5.66–6.18	5.66–6.18	4.00–6.18	4.00–5.88
Floating-rate bank borrowings	HIBOR+1.75–HIBOR+3.00; LIBOR+1.25–LIBOR+3.00; 3.00–3.75	HIBOR+1.75–HIBOR+3.00; LIBOR+1.25–LIBOR+3.00; 3.00–3.75	HIBOR+1.75–HIBOR+3.00; LIBOR+1.25–LIBOR+3.00; 3.00–3.88	HIBOR+1.75–HIBOR+3.00; LIBOR+1.25–LIBOR+3.00; 2.63–3.88

- (f) The borrowings were repayable by repayment day as follows:

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Within 1 year	70,347	85,227	77,216	101,482
Between 1 and 2 years	25,510	17,176	17,728	22,829
Between 2 and 5 years	35,651	65,914	56,979	65,384
Over 5 years	90,999	66,226	58,405	77,522
	<u>222,507</u>	<u>234,543</u>	<u>210,328</u>	<u>267,217</u>

- (g) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(h) **Compliance with loan covenants**

The Group complied with the financial covenants of its borrowing facilities during the Track Record Period.

28 LEASE LIABILITIES

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Current	139,001	151,742	157,783	184,431
Non-current	229,602	191,209	226,001	257,815
	<u>368,603</u>	<u>342,951</u>	<u>383,784</u>	<u>442,246</u>

Liabilities arising from a lease are initially measured on a present value basis. Leases of entities operating in Mainland China are discounted at the rate of 6.0% and leases of entities operating in Macau and Hongkong are discounted at the rate of 3.5%. The finance cost of leases is charged to profit or loss over the lease period at the same rate.

29 PROVISIONS

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Non-current				
Make good provision (a)	<u>2,344</u>	<u>2,469</u>	<u>2,622</u>	<u>4,421</u>
Current				
Make good provision (a)	1,004	1,228	1,758	1,141
Legal claim (b)	<u>–</u>	<u>2,040</u>	<u>1,946</u>	<u>1,938</u>
	<u>1,004</u>	<u>3,268</u>	<u>3,704</u>	<u>3,079</u>
	<u>3,348</u>	<u>5,737</u>	<u>6,326</u>	<u>7,500</u>

- (a) The Group is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets.
- (b) In September 2017, claims were lodged against subsidiaries of the Group made by one shopping mall for violation of retail stores opening agreements. Unfavorable judgements were subsequently handed down against the subsidiaries in September 2018. However, after taking appropriate legal advice, the directors

have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of RMB1,705,000 (equivalent to HKD1,938,000) will be required. The recognised provision reflects the directors' best estimate of the most likely outcome.

In April 2019, the claimant applied for litigation property preservations against subsidiaries of the Group. The preservation was upheld by the court and cash at bank of RMB1,753,000 (equivalent to HKD 2,044,000) were frozen in May 2019.

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Call option

	Year ended 31 December,			Seven months ended 31 July,	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 HKD'000 (Unaudited)	2019 HKD'000
At the beginning of the year/period	8,187	9,422	10,733	10,733	11,630
Fair value losses/(gain) on the financial liabilities at fair value through profit or losses (<i>Note 7</i>)	1,235	1,311	897	523	(4,389)
At the end of the year/period	<u>9,422</u>	<u>10,733</u>	<u>11,630</u>	<u>11,256</u>	<u>7,241</u>

Pursuant to the cooperation arrangement of NB China Limited ("NB China"), a subsidiary of the Group, the Group agrees to grant to the minor shareholder of NB China the right to exercise a first call option of nine percentage of the shares held by the Group in NB China on the seventh year. The price of buy back will be calculated on full year earnings before interest, taxes, depreciation and amortisation ("EBITDA") and basing on a twice multiple of EBITDA (in Hong Kong Dollars). The Group agrees to grant to the minor shareholder of NB China the right to exercise a second call option of the balance or a percentage of the shares held by the Group in NB China on the ninth year. The percentage of the second call option should be discussed by both parties in order to be mutually agreed on the amount of percentage of the number of shares. The price of buy back will be calculated on full year EBITDA and basing on a three and a half times multiple of EBITDA (in Hong Kong Dollars).

The Group designated the call option as financial liabilities at fair value through profit or loss and initially recognised the call option at fair value. In subsequent period, such call option are measured at fair value with changes in fair values recognised in profit or loss. Transactions costs relating to the issuance of the call option is charged to profit or loss immediately.

The fair value of the call option were determined by an independent valuer based on the Monte Carlo Model, with the following key assumption:

	As of 31 December,			As of 31 July, 2019
	2016	2017	2018	
Annualised EBITDA drift	40.00%	20.00%	10.00%	5.00%
Annualised EBITDA volatility	20.00%	20.00%	25.00%	25.00%
EV/EBITDA multiple	7.00	7.50	7.00	6.50
EV/EBITDA volatility	30.00%	30.00%	25.00%	30.00%
Discount rate	17.00%	16.75%	15.50%	15.00%

31 OTHER CURRENT AND NON-CURRENT LIABILITIES

	Year ended 31 December,			Seven months ended 31 July,	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 HKD'000 (Unaudited)	2019 HKD'000
At 1 January	4,299	4,198	3,140	3,140	10,700
Receipt (a)	2,500	1,388	10,440	–	5,444
Recognised in consolidated statements of profit or loss	(2,397)	(2,822)	(2,849)	(966)	(2,852)
Exchange difference	(204)	376	(31)	(32)	(88)
At 31 December	<u>4,198</u>	<u>3,140</u>	<u>10,700</u>	<u>2,142</u>	<u>13,204</u>
Current	1,833	2,456	4,145	1,089	6,083
Non-current	2,365	684	6,555	1,053	7,121

(a) The other current and non-current liabilities are mainly the decoration subsidy received from the franchisors and shopping malls and is amortised on a straight-line basis over the rental periods.

32 TRADE AND OTHER PAYABLES

Group

	As of 31 December,			As of 31 July,
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2019 HKD'000
Current				
Trade payables (a)	68,212	85,335	94,101	161,807
Salaries payable	21,503	29,513	42,200	41,815
Variable lease payable	33,163	14,014	25,471	20,100
Loan from third parties (b)	15,181	–	–	–
Other taxes payable	3,977	3,449	4,595	650
License fee payable	3,663	4,066	1,442	1,602
Operating support fund (c)	1,845	1,196	13,353	20,004
Renovation service fee payables	1,314	2,816	3,618	2,524
Other payables	3,178	8,600	10,810	23,312
	<u>152,036</u>	<u>148,989</u>	<u>195,590</u>	<u>271,814</u>
Non-current				
Operating support fund (c)	30,743	32,180	17,256	8,026
License fee payables (d)	2,914	–	2,192	1,949
Other payables	693	240	246	–
	<u>34,350</u>	<u>32,420</u>	<u>19,694</u>	<u>9,975</u>
	<u>186,386</u>	<u>181,409</u>	<u>215,284</u>	<u>281,789</u>

Company

	As of 31 December			As of 31 July
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Current				
Amounts due to subsidiaries within the Group	—	—	—	22,293

- (a) Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	As of 31 December,			As of 31 July,
	2016	2017	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000
Within 3 months	67,963	69,665	89,595	107,769
Over 3 months and within 1 year	180	15,670	4,506	54,038
Over 1 year	69	—	—	—
	68,212	85,335	94,101	161,807

- (b) Loans from third parties were unsecured, interest-free and repayable on demand.
- (c) Operating support fund is provided by the shopping malls for the Group to operate its retail stores. The fund shall be repaid upon the earlier of the date when the store meets specific operating condition agreed and the date when the leases expire.
- (d) License fee payables in respect of the acquisition of licence rights are initially recognised at fair value of the consideration given to acquire the licence at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accreted and represents changes in the licence fee payables due to passage of time calculated by applying an effective interest rate to the amount of licence fee payables at the beginning of the period.

The corresponding intangible assets are amortised on a straight-line basis over the term of the franchise agreement.

33 CONTRACT LIABILITIES

Contract liabilities primarily comprise advance payments received from wholesalers for goods that have not yet been delivered to the wholesaler.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	As of 31 December,			As of
	2016	2017	2018	31 July,
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	2019
				<i>HKD'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the period				
Wholesale Contract	147	4,224	1,461	2,219

34 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

The final dividend in respect of the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019 amounting to HKD38,000,000, HKD30,000,000, HKD11,298,000, HKD9,500,000 and HKD991,000 has been approved by the operating entities now comprising the Group and paid in cash in July 2016, July 2017, April 2018, April 2018 and May 2019, respectively to the shareholders.

35 NET CASH GENERATED FROM OPERATIONS

(a) Reconciliation from profit before income tax to cash generated from operating activities:

	Year ended 31 December,			Seven months ended 31 July,	
	2016	2017	2018	2018	2019
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(Unaudited)	
Profit before income tax expense	6,959	76,119	126,574	59,489	41,336
Adjustment for:					
Depreciation and amortisation (Note 8)	211,759	215,883	230,011	129,136	170,073
Finance expense (Note 10)	25,877	22,925	25,166	13,771	18,755
Impairment charge for property, plant and equipment and right-of-use assets (Note 8)	8,524	15,266	4,830	3,431	5,720
Impairment provision/(reversal) for inventories (Note 8)	7,753	(886)	(260)	4,312	1,446
Loss on disposals of property, plant and equipment (Note 7)	2,051	1,737	1,077	–	441
Interest income (Note 10)	(92)	(281)	(324)	(147)	(181)
(Gains)/losses on the derecognition of right-of-use assets and lease liabilities (Note 7)	70	(568)	(1,287)	–	(220)
Fair value losses/(gains) on financial liabilities at fair value through profit or losses (Note 7)	1,235	1,311	897	523	(4,389)
Net changes in cash surrender (Note 7)	(1,059)	(1,015)	(1,068)	(596)	(618)
Net loss on capital expenditure projects (Note 7)	2,725	406	–	–	–
	<u>265,802</u>	<u>330,897</u>	<u>385,616</u>	<u>209,919</u>	<u>232,363</u>
Decrease/(increase) in other receivables and deposit	22,749	(3,475)	(17,884)	(28,106)	(12,552)
Increase/(decrease) in trade and other payables	34,930	(37,814)	65,793	63,928	57,826
Increase/(decrease) in contract liabilities	4,454	(3,139)	1,811	3,552	(926)
(Reversal)/increase in provision	(320)	1,920	(2,053)	(3,787)	1,045
Increase/(decrease) in amount due to related parties	13,843	40,392	(19,720)	(2,829)	14,168
Increase/(decrease) in other current/non-current liabilities	103	(1,434)	7,591	(966)	2,592
(Increase)/decrease in trade receivables	(8,713)	(7,791)	(12,719)	11,876	555
(Increase)/decrease of restricted cash	(11,744)	(16,522)	(2,890)	(905)	5,480
(Increase)/decrease in inventories	(37,019)	5,091	(86,255)	(16,389)	(87,081)
(Increase)/decrease in prepayment	(12,443)	(5,692)	(17,947)	(20,327)	3,773
Decrease/(increase) in amount due from related parties	(10,763)	22,637	1,882	(3,031)	(2,745)
Cash generated from operations	<u>260,879</u>	<u>325,070</u>	<u>303,225</u>	<u>212,935</u>	<u>214,498</u>

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December,			Seven months ended	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	31 July, 2018 HKD'000 (Unaudited)	2019 HKD'000
Net book amount	2,102	1,812	1,338	780	441
Net loss on disposal of property, plant and equipment	(2,051)	(1,737)	(1,077)	–	(441)
Proceeds from disposal of property, plant and equipment	<u>51</u>	<u>75</u>	<u>261</u>	<u>780</u>	<u>–</u>

For the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, the Group did not have any material non-cash investing and financing activities.

- (b) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	Year ended 31 December,			Seven months ended	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	31 July, 2018 HKD'000 (Unaudited)	2019 HKD'000
Cash	46,197	84,730	85,731	92,210	109,701
Loan from third parties (Note 32)	(15,181)	–	–	–	–
Loan from related parties (Note 36(c)(2))	(120,726)	(88,310)	(117,199)	(83,129)	(115,242)
Borrowing – repayable within one year	(70,347)	(85,227)	(77,216)	(41,171)	(101,482)
Borrowing – repayable after one year	(152,160)	(149,316)	(133,112)	(157,011)	(165,735)
Lease liabilities – repayable within one year	(139,001)	(151,742)	(157,783)	(167,938)	(184,431)
Lease liabilities – repayable after one year	(229,602)	(191,209)	(226,001)	(205,377)	(257,815)
Net debt	<u>(680,820)</u>	<u>(581,074)</u>	<u>(625,580)</u>	<u>(562,416)</u>	<u>(715,004)</u>
Cash	46,197	84,730	85,731	92,210	109,701
Gross debt – interest free	(15,181)	–	–	–	–
Gross debt – fixed interest rates	(540,977)	(517,093)	(547,616)	(488,139)	(628,155)
Gross debt – variable interest rates	(170,859)	(148,711)	(163,695)	(166,487)	(196,550)
Net debt	<u>(680,820)</u>	<u>(581,074)</u>	<u>(625,580)</u>	<u>(562,416)</u>	<u>(715,004)</u>

(c) Reconciliation of liabilities arising from financing activities is as follows:

	Other assets		Liabilities from financing activities					Total HKD'000
	Cash HKD'000	Loan from	Loan from	Borrowing – due within 1 year HKD'000	Borrowing – due after 1 year HKD'000	Lease	Lease	
		third	related			liabilities –	liabilities –	
		parties – due within 1 year HKD'000	parties – due within 1 year HKD'000			due within 1 year HKD'000	due after 1 year HKD'000	
As at 1 January, 2016	55,922	(4,775)	(93,714)	(60,312)	(155,481)	(139,187)	(263,667)	(661,214)
Cash flows	(10,778)	(11,206)	(29,078)	37,967	(38,677)	171,122	–	119,350
Foreign exchange adjustments	1,053	800	3,216	1,514	746	2,319	4,180	13,828
Addition in lease	–	–	–	–	–	–	(137,782)	(137,782)
Interest expense	–	–	(1,150)	(1,921)	(6,343)	–	(16,463)	(25,877)
Early termination	–	–	–	–	–	–	10,876	10,876
Reclassification from non-current to current	–	–	–	(47,595)	47,595	(173,255)	173,254	(1)
As at 31 December, 2016	46,197	(15,181)	(120,726)	(70,347)	(152,160)	(139,001)	(229,602)	(680,820)
As at 1 January, 2017	46,197	(15,181)	(120,726)	(70,347)	(152,160)	(139,001)	(229,602)	(680,820)
Cash flows	40,195	15,662	36,552	43,076	(46,322)	174,180	–	263,343
Foreign exchange adjustments	(1,662)	(481)	(2,288)	(1,311)	(1,055)	(2,272)	(3,693)	(12,762)
Addition in lease	–	–	–	–	–	–	(129,951)	(129,951)
Interest expense	–	–	(1,848)	(1,746)	(4,678)	–	(14,653)	(22,925)
Early termination	–	–	–	–	–	–	2,045	2,045
Reclassification from non-current to current	–	–	–	(54,899)	54,899	(184,649)	184,645	(4)
As at 31 December, 2017	84,730	–	(88,310)	(85,227)	(149,316)	(151,742)	(191,209)	(581,074)

	Other assets		Liabilities from financing activities				
		Loan from related parties – due within 1 year	Borrowing – due within 1 year	Borrowing – due after 1 year	Lease liabilities – due within 1 year	Lease liabilities – due after 1 year	Total
	Cash HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 1 January, 2018	84,730	(88,310)	(85,227)	(149,316)	(151,742)	(191,209)	(581,074)
Cash flows	(691)	(28,112)	24,307	4,757	190,824	–	191,085
Foreign exchange adjustments	1,692	1,952	2,407	133	1,664	2,072	9,920
Addition in lease	–	–	–	–	–	(226,940)	(226,940)
Interest expense	–	(2,729)	(2,244)	(5,145)	–	(15,048)	(25,166)
Early termination	–	–	–	–	–	6,597	6,597
Reclassification from non-current to current	–	–	(16,459)	16,459	(198,529)	198,527	(2)
As at 31 December, 2018	85,731	(117,199)	(77,216)	(133,112)	(157,783)	(226,001)	(625,580)
As at 1 January, 2019	85,731	(117,199)	(77,216)	(133,112)	(157,783)	(226,001)	(625,580)
Cash flows	23,879	3,905	(6,129)	(45,164)	147,083	–	123,574
Foreign exchange adjustments	91	46	288	–	324	230	979
Addition in lease	–	–	–	–	–	(202,823)	(202,823)
Interest expense	–	(1,994)	(1,599)	(4,285)	–	(10,877)	(18,755)
Early termination	–	–	–	–	–	7,601	7,601
Reclassification from non-current to current	–	–	(16,826)	16,826	(174,055)	174,055	–
As at 31 July, 2019	109,701	(115,242)	(101,482)	(165,735)	(184,431)	(257,815)	(715,004)

36 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019:

Name of related parties	Relationship with the Group
Mr. Fan	Controlling shareholder of the Company
Bo Jian Company Limited	Fellow subsidiary
Sao Hang Investment Company Limited	Fellow subsidiary
Shou Jia Investment Company Ltd	Fellow subsidiary
Ieng Nam Singapore Pte. Ltd.	Fellow subsidiary
Shun Ao Investment Company Limited	Fellow subsidiary
Ying Yu Company Limited	Fellow subsidiary
Shenzhen Luohu Yongmeng Haircut Salon	Controlled by a director of the Company
SJ Synergy Engineering Company Limited	Controlled by a close family member of Mr. Fan
SJ Synergy Holdings Limited	Controlled by a close family member of Mr. Fan
Twelve S.A. Group.	Company with significant influence over a subsidiary

(a) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	31 July,	2019
	HKD'000	HKD'000	HKD'000	2018	2019
				HKD'000	HKD'000
				(Unaudited)	
Salaries, wages and bonus	4,639	5,892	6,683	3,867	3,916
Pension cost – defined contribution plan	68	73	84	49	51
Other social security costs, housing benefits and other employee benefits	10	10	11	61	72
	<u>4,717</u>	<u>5,975</u>	<u>6,778</u>	<u>3,977</u>	<u>4,039</u>

(b) Transactions with other related parties

The following transactions occurred with related parties:

– Continuing

	Year ended 31 December,			Seven months ended	
	2016	2017	2018	31 July,	2019
	HKD'000	HKD'000	HKD'000	2018	2019
				HKD'000	HKD'000
				(Unaudited)	
Purchase of goods					
Company with significant influence over a subsidiary	2,667	2,167	1,525	1,260	1,823
Purchase of decoration services					
Controlled by a close family member of Mr. Fan	43,267	73,987	41,328	18,446	17,433
Purchase of rental services (with variable lease payment)					
Fellow subsidiaries	8,610	8,728	8,128	4,784	4,645
Purchase of management, promotion and administration services					
Fellow subsidiary	18,956	17,622	15,032	9,899	9,741

– Discontinued

	Year ended 31 December,			Seven months ended 31 July,	
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2018 HKD'000 (Unaudited)	2019 HKD'000
Purchase of rental services (with variable lease payment)					
Fellow subsidiary	5,747	1,986	–	–	–
Interest expense					
Controlling shareholder of the company	1,244	1,724	2,518	1,206	1,686

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(c) Year end balances with related parties

(1) Due from related parties

	As of 31 December,			As of 31 July,
	2016 HKD'000	2017 HKD'000	2018 HKD'000	2019 HKD'000
Loans to related parties - non-trade				
Shenzhen Luohu Yongmeng Haircut Salon	10,794	–	–	–
Amount due from related parties - non-trade				
Mr. Fan	32,158	439	990	902
Sao Hang Investment Company Limited	4,767	1,913	–	1,227
Shou Jia Investment Company Ltd	–	2,509	3,270	5,134
Bo Jian Company Limited	240	5,403	4,591	4,336
Ying Yu Company Limited	–	3,905	3,204	3,238
Shun Ao Investment Company Limited	11,620	11,980	12,212	12,174
	<u>59,579</u>	<u>26,149</u>	<u>24,267</u>	<u>27,011</u>

Loans to related parties were unsecured, interest-free with term of one year.

Amount due from related parties by the Group represents unsecured, interest-free and repayable on demand amount paid on behalf of related parties.

All amount due from related parties will be fully settled prior to the Listing.

(2) Due to related parties

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000
Loans from related parties – non-trade				
Mr. Fan	77,113	76,706	117,199	115,242
Shenzhen Luohu Yongmeng Haircut Salon	43,613	11,604	–	–
Amount due to related parties – non-trade				
Mr. Fan	–	–	763	362
Shou Jia Investment Company Ltd	224	–	–	–
Ieng Nam Singapore Pte. Ltd.	–	–	–	766
Amount due to related parties – trade				
SJ Synergy Engineering Company Limited	19,303	59,613	33,366	43,806
SJ Synergy Holdings Limited	–	307	1,149	1,488
Sao Hang Investment Company Limited	–	–	4,922	7,566
Twelve SA Group	–	–	–	261
	140,253	148,230	157,399	169,491

Loans from Mr. Fan were unsecured with term of one year and an interest rate of Hong Kong Interbank Offered Rate plus 2%.

Loans from a related party were unsecured, interest-free and repayable on demand.

Amount due to related parties represents unsecured, interest-free and repayable on demand amount paid on behalf of the Group by related parties.

All amount due to related parties will be fully settled prior to the Listing.

(d) Guarantees

Guarantees provided by the controlling shareholder to the Group are set out in Note 27.

(e) Leases as lessee with other related parties

The following amounts of leases are related to related parties:

– Continuing

	As at 31 December,			As at
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
				HKD'000

Lease liabilities

Controlling shareholder of the Company	3,461	2,051	283	8,233
Fellow subsidiaries	195	123	48	3

Year ended 31 December.			Seven months ended	
2016	2017	2018	2018	2019
HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
			(Unaudited)	

Addition in right-of-use assets

Controlling shareholder of the Company	–	–	–	–	9,059

Interest of lease liabilities

Controlling shareholder of the Company	264	168	71	56	265
Fellow subsidiaries	8	6	3	2	1

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Remuneration of every director is set out below:

	Year ended 31 December, 2016					Total HKD'000
	Director's fee HKD'000	Salaries, wages and bonus HKD'000	Pension cost – defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	
<i>Executive directors:</i>						
Mr. Fan Wing Ting	–	240	12	–	–	252
Ms. Chen Xingyi	–	1,005	4	10	–	1,019
Mr. Kevin Trantallis	–	975	18	–	–	993
Mr. Fong Yat Ming	–	952	–	–	–	952
Ms. Fan Tammy	–	360	18	–	–	378
	–	3,532	52	10	–	3,594

	Year ended 31 December, 2017					Total HKD'000
	Director's fee HKD'000	Salaries, wages and bonus HKD'000	Pension cost – defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	
<i>Executive directors:</i>						
Mr. Fan Wing Ting	–	240	12	–	–	252
Ms. Chen Xingyi	–	993	4	10	–	1,007
Mr. Kevin Trantallis	–	1,008	18	–	–	1,026
Mr. Fong Yat Ming	–	1,175	3	–	–	1,178
Ms. Fan Tammy	–	1,298	18	–	–	1,316
	–	4,714	55	10	–	4,779

Year ended 31 December, 2018						
	Director's fee HKD'000	Salaries, wages and bonus HKD'000	Pension cost – defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	Total HKD'000
<i>Executive directors:</i>						
Mr. Fan Wing Ting	–	240	12	–	–	252
Ms. Chen Xingyi	–	2,016	4	11	–	2,031
Mr. Kevin Trantallis	–	1,052	18	–	–	1,070
Mr. Fong Yat Ming	–	1,696	12	–	–	1,708
Ms. Fan Tammy	–	448	18	–	–	466
	–	5,452	64	11	–	5,527

Seven months ended 31 July, 2018						
	Director's fee HKD'000	Salaries, wages and bonus HKD'000	Pension cost – defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	Total HKD'000
(Unaudited)						
<i>Executive directors:</i>						
Mr. Fan Wing Ting	–	140	7	–	–	147
Ms. Chen Xingyi	–	1,187	3	6	–	1,196
Mr. Kevin Trantallis	–	611	11	–	–	622
Mr. Fong Yat Ming	–	984	7	–	–	991
Ms. Fan Tammy	–	260	11	–	–	271
	–	3,182	39	6	–	3,227

Seven months ended 31 July, 2019						
			Pension cost	Other social security costs, housing benefits	Share-based compensation expense	Total
Director's fee	Salaries, wages and bonus	– defined contribution plan	and other employee benefits			
HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<i>Executive directors:</i>						
Mr. Fan Wing Ting	–	140	7	–	–	147
Ms. Chen Xingyi	–	1,222	3	17	–	1,242
Mr. Kevin Trantallis	–	588	11	–	–	599
Mr. Fong Yat Ming	–	1,060	7	–	–	1,067
Ms. Fan Tammy	–	259	10	–	–	269
	–	3,269	38	17	–	3,324

- (b) No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, respectively.
- (c) No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019, respectively.
- (d) Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019.
- (e) No consideration was provided to third parties for making available directors' services during the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2018 and 2019.

38 CONTINGENT LIABILITIES

As of 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019, the Group did not have any material contingent liabilities.

39 COMMITMENTS

(a) Capital commitments

	As of 31 December,			As of
	2016	2017	2018	31 July,
	HKD'000	HKD'000	HKD'000	2019
Property, plant and equipment	–	50,439	50,439	–

The above commitments relate to commitment on the acquisition of properties in Oscar Crescent in Macau as at 31 December 2017 and 2018 (refer to note 21(a)).

40 SUBSEQUENT EVENTS

- (a) Pursuant to the resolutions of the shareholders passed on 17 December 2019, subject to the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company are authorised to allot and issue a total of 299,999,400 shares, credited as fully paid, at par to the holder of shares on the register of members of the Company in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalisation of the sum of HK\$2,999,994 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.
- (b) On 17 December 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new shares of a par value of HK\$0.01 each, each ranking pari passu in all respects with the shares in issue.

41 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at the date of this report and for the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019 are set out below:

Company name	Country/place and date of incorporation/ establishment	Issued and paid up capital	Effective interests held by the Group					As of date of the report	Direct or/ Indirect	Principal activities
			As of 31 December,			As of 31 July, 2019				
			2016	2017	2018					
World First International Holdings (BVI)	BVI, 28 October, 2014	USD1	100%	100%	100%	100%	100%	Indirect	Investment holding company	
Fortune Fashion Limited	BVI, 20 May, 2019	USD10	–	–	–	–	100%	Direct	Investment holding company	
Frontline Fashion Limited	BVI, 20 May, 2019	USD10	–	–	–	–	100%	Indirect	Investment holding company	
NB China Limited (盈冠商貿有限公司)	HK, 2 December, 2014	HKD105	60%	60%	60%	60%	60%	Indirect	Procurement of fashion apparel	
Yingnan Asia Limited (盈南中華有限公司)	HK, 30 June, 2014	HKD0.001	100%	100%	100%	100%	100%	Indirect	Investment holding company	
World First Holdings Limited (科盈集團有限公司)	HK, 4 January, 2010	HKD103,000	100%	100%	100%	100%	100%	Indirect	Investment holding company	
Wide Spread (China) Limited (康弘(中國)有限公司)	HK, 15 March, 2005	HKD5,000	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel	
Macau Ieng Nam Limited (澳門盈南有限公司) (a)	Macau, 28 March, 2007	MOP100	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel	
Sao Wai Investment Company Limited (首威投資有限公司) (b)	Macau, 26 November, 2009	MOP25	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel	
Ieng Weng Company Limited (盈榮有限公司) (c)	Macau, 30 April, 2010	MOP25	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel	
Ieng Leong Company Limited (盈亮有限公司) (b)	Macau, 30 April, 2010	MOP25	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel	

Company name	Country/place and date of incorporation/ establishment	Issued and paid up capital	Effective interests held by the Group				As of date of the report	Direct or/ Indirect	Principal activities
			As of 31 December,			As of 31 July,			
			2016	2017	2018	2019			
Lan Yuan Company Limited (蘭媛有限公司) (c)	Macau, 24 May, 2010	MOP25	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel
Macau Ieng Kun Company Limited (澳門盈冠有限公司) (b)	Macau, 6 February, 2015	MOP25	62%	62%	62%	62%	62%	Indirect	Retail of fashion apparel
Sao Wai Limited (首威商貿有限公司)	HK, 11 June, 2018	HKD10,000	–	–	100%	100%	100%	Indirect	Investment holding company
Shouwei Trading (Shenzhen) Co., Ltd (首威貿易(深圳)有限公司)	PRC, 12 January, 2011	HKD62,000	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel
Lanyuan Trading (Shanghai) Co., Ltd (蘭媛商貿(上海)有限公司)	PRC, 14 November, 2014	HKD15,000	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel
Yingzhao Trading (Shanghai) Co., Ltd (盈昭商貿(上海)有限公司)	PRC, 10 February, 2015	HKD16,500	100%	100%	100%	100%	60%	Indirect	Retail of fashion apparel
Yingliang Trading (Shenzhen) Co., Ltd (盈亮貿易(深圳)有限公司)	PRC, 30 June, 2011	HKD50,000	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel
Zhuhai Hengqin Yinghua Trading Co., Ltd (珠海橫琴盈華商貿有限公司)	PRC, 21 June, 2016	HKD4,000	100%	100%	100%	100%	100%	Indirect	Retail of fashion apparel
Sao Hang Limited (首恒商貿有限公司)	HK, 11 June, 2018	HKD10	–	–	100%	100%	100%	Indirect	Investment holding company

- (a) 1% shares of these subsidiaries was held by Ms. PY Fan legally on behalf of Mr. Fan in order to meet the Macau's regulations. During the track record period, the declared dividends were fully paid to Mr. Fan and the shares held by Ms. PY Fan was transferred to the Group at the nominal value during the reorganisation, therefore, no non-controlling interests were recognised for those subsidiaries.
- (b) 4% shares of these subsidiaries was held by Ms. PY Fan legally on behalf of Mr. Fan in order to meet the Macau's regulations. During the reorganisation, the shares held by Mr. PY Fan was transferred to the Group at the nominal value, therefore, no non-controlling interests were recognised for those subsidiaries.
- (c) 4% shares of these subsidiaries was held by Ms. PY Fan legally on behalf of Mr. Fan in order to meet the Macau's regulations. During the track record period, the declared dividends were fully paid to Mr. Fan and the shares held by Ms. PY Fan was transferred to the Group at the nominal value during the reorganisation, therefore, no non-controlling interests were recognised for those subsidiaries.

Cash and short-term deposits held in PRC are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

For the years ended 31 December, 2016, 2017 and 2018 and seven months ended 31 July, 2019, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was HKD15,090,000, HKD27,331,000, HKD34,174,000 and HKD40,501,000.

The statutory auditors of the subsidiaries of the Group during the years ended 31 December, 2016, 2017 and 2018 and the seven months ended 31 July, 2019 are set out below:

Company name	2016	Name of statutory auditors	
		2017	2018
NB China Limited (盈冠商貿有限公司)	Vince Liu & Co. Certified Public Accountants (Practising), Hong Kong	Million Trustful CPA Limited	Million Trustful CPA Limited
Yingnan Asia Limited (盈南中華有限公司)	Vince Liu & Co. Certified Public Accountants (Practising), Hong Kong	Million Trustful CPA Limited	Million Trustful CPA Limited
World First Holdings Limited (科盈集團有限公司)	Million Trustful CPA Limited	Million Trustful CPA Limited	Million Trustful CPA Limited
Wide Spread (China) Limited (康弘(中國)有限公司)	Vince Liu & Co. Certified Public Accountants (Practising), Hong Kong	Million Trustful CPA Limited	Million Trustful CPA Limited
Shouwei Trading (Shenzhen) Co., Ltd (首威貿易(深圳)有限公司)	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants
Lanyuan Trading (Shanghai) Co., Ltd (蘭媛商貿(上海)有限公司)	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants
Yingzhao Trading (Shanghai) Co., Ltd (盈昭商貿(上海)有限公司)	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants
Yingliang Trading (Shenzhen) Co., Ltd (盈亮貿易(深圳)有限公司)	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants
Zhuhai Hengqin Yinghua Trading Co., Ltd (珠海橫琴盈華商貿有限公司)	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants	Shenzhen Tongde Certified Public Accountants

Except for the above companies, no audited statutory financial statements were prepared for other subsidiaries as they are either not required to issue audited financial statements under the local statutory requirements or are newly established such that their first statutory audits have yet to be completed.

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July, 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July, 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering and the Capitalisation Issue on the net tangible assets of the Group attributable to the owners of the Company as of 31 July, 2019 as if the Global Offering and the Capitalisation Issue had taken place on that date.

The unaudited pro forma statement of adjusted 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 had the Global Offering and the Capitalisation Issue been completed as at 31 July, 2019 or at any future date.

The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July, 2019 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July, 2019⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 July, 2019 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾ HK\$
Based on an Offer Price of HK\$1.70 per Share	<u>227,348</u>	<u>131,405</u>	<u>358,753</u>	<u>0.897</u>
Based on an Offer Price of HK\$ 2.10 per Share	<u>227,348</u>	<u>167,805</u>	<u>395,153</u>	<u>0.988</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July, 2019 has been extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 July, 2019 of HK\$232,364,000, with an adjustment for the intangible assets attributable to the owners of the Company of HK\$5,016,000.
- (2) The estimated net proceeds from the Initial Public Offering are based on the indicative Offer Price of HK\$1.7 per Share and HK\$2.1 per share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately HK\$18,705,000 which have been charged to the consolidated statements of comprehensive income up to 31 July, 2019) and takes no account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option, and any options which 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 mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 400,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue had been completed on 31 July, 2019 but takes no account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option, and any options which 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 mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 July, 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of Forward Fashion (International) Holdings Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Forward Fashion (International) Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 July, 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 December, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 July, 2019 as if the proposed initial public offering had taken place at 31 July, 2019. 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 the period ended 31 July, 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering at 31 July, 2019 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 December, 2019

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 16 May 2019 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of 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 17 December 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of 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) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(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 Directors 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 or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in

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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 past 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.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in

general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by

reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the 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 and extraordinary 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.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable

expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of 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, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by 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. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii)

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of

the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the

redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company

or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 May 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, 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 V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated on 16 May 2019 in the Cayman Islands as an exempted company with limited liability. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant aspects of the Companies Law and certain provisions of our Memorandum and Articles of Association is set out in Appendix III to this prospectus. Our registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our principal place of business in Hong Kong is at Suite 1204, 12/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) on 12 June 2019. Mr. Fan Wing Ting has been appointed as our authorised representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

2. Changes in authorised and issued share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. One Share was allotted and issued at par to the initial subscriber (a company secretarial service provider, being an independent third party), which was subsequently transferred to Gold Star on the same day at par. On 5 July 2019, such one Share was credited as fully paid. Upon completion of the above transfer and share issue, Gold Star became the sole Shareholder of our Company.
- (b) On 2 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 103,000,000 ordinary shares in World First Holdings, representing the entire issued share capital of World First Holdings, to Fortune Fashion at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, World First Holdings became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

- (c) On 2 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer one ordinary share in Yingnan Asia, representing the entire issued share capital of Yingnan Asia, to Fortune Fashion at the request and instruction of our

Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Yingnan Asia became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

- (d) On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 1,000 ordinary shares in World First International, representing the entire issued share capital of World First International, to Fortune Fashion at the request and instruction of our Company, in consideration of our Company allotting and issuing 99 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, World First International became a direct wholly-owned subsidiary of Fortune Fashion and an indirect wholly-owned subsidiary of our Company.

- (e) On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 5,000,000 ordinary shares in Wide Spread, representing the entire issued share capital of Wide Spread, to World First Holdings at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Wide Spread became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

- (f) On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 10,000 ordinary shares in Sao Hang, representing the entire issued share capital of Sao Hang, to World First Holdings at the request and instruction of our Company, in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Sao Hang became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

- (g) On 3 July 2019, Mr. Fan (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Fan agreed to transfer 10,000 ordinary shares in Sao Wai, representing the entire issued share capital of Sao Wai, to World First Holdings at the request and instruction of our Company,

in consideration of our Company allotting and issuing 100 Shares in our Company, credited as fully paid, to Gold Star. Such transfer was completed on the same date.

As a result, Sao Wai became a direct wholly-owned subsidiary of World First Holdings and an indirect wholly-owned subsidiary of our Company.

- (h) On 17 December 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares of a par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

Immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share to be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 400,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “5. Resolutions in writing of our sole Shareholder passed on 17 December 2019” and “6. Repurchase of our Shares by our Company” under this appendix, and the exercise of the options that may be granted under the Share Option Scheme, the Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of the written resolutions of our sole Shareholder, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Our corporate reorganisation

Our 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.

4. Changes in the share capital of subsidiaries

The subsidiaries of our Company as listed in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus.

Please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Our Group Companies” in this prospectus for details of changes in the share capital of our subsidiaries.

5. Resolutions in writing of our sole Shareholder passed on 17 December 2019

Written resolutions of our sole Shareholder were passed on 17 December 2019 approving, among others, the following:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of additional 9,962,000,000 new Shares of a par value of HK\$0.01 each, all of which shall rank *pari passu* in all respects with the existing Shares;
- (b) conditional upon all the conditions set out in the paragraph headed “The Structure of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled:
 - (i) the Global Offering and the grant of the Over-allotment Option by our Company and the Share Option Scheme was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option and any option(s) which may be granted under the Share Option Scheme; (bb) implement the Global Offering and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$2,999,994 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 299,999,400 Shares for allotment and issuance to the holders of Shares whose names appear on the register of members of our Company at the close of business on 17 December 2019, 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 our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing issued Shares;

- (iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) not exceeding (aa) 20% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any share options which may be granted under the Share Option Scheme); or (bb) the number of Shares repurchased under the authority granted to our Directors as referred to in paragraph (iv) below. Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (cc) until revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (iv) a general unconditional mandate given to our Directors during the relevant period to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange, for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any options which may be granted under the Share Option Scheme) (the "**Repurchase Mandate**"). Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (cc) until revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Global Offering and

the Capitalisation Issue, but excluding any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme;

- (c) conditional on (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, our Shares which may be issued upon the exercise of share options granted under the Share Option Scheme, and (ii) the commencement of the dealings in our Shares on the Stock Exchange, the adoption of rules of the Share Option Scheme and authorisation of our Board and/or delegation and authorisation by our Board (where applicable) to our Remuneration Committee of our Company to administer the Share Option Scheme; and
- (d) the Memorandum was adopted with immediate effect and, conditional upon the Listing, the Articles were adopted as the articles of association of our Company, with effect from the Listing Date.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate or by special approval in relation to specific transactions. As mentioned in the paragraph headed "A. Further Information about our Company and its Subsidiaries – 5. Resolutions in writing of our sole Shareholder passed on 17 December 2019" in this appendix, our Directors were granted the Repurchase Mandate on 17 December 2019.

(b) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the applicable laws, rules and regulations in the Cayman Islands, the Memorandum and the Articles. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account before or at the time our Shares are repurchased.

(c) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

A listed company may not make any repurchase of securities at any time after inside information has come to its 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: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for

publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(d) Status of repurchased shares

All repurchased shares (whether on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed. Under the Companies Law, unless, prior to the repurchase, the directors of a company resolve to hold shares in such company as treasury shares, our company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of our company will not be reduced.

(e) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder or any of our subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders to have general authority from our Shareholders to enable our Directors to repurchase our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and the assets and/or the earnings per Share and will only be

made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the applicable laws of Hong Kong and the applicable laws and regulations of the Cayman Islands. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

General

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Global Offering and Capitalisation Issue assuming the Over-allotment Option is not exercised and without taking into account of any Shares to be issued upon the exercise of the options granted under Share Option Scheme), could accordingly result in up to 40,000,000 Shares being repurchased by us during the period prior to:

1. the conclusion of our next annual general meeting;
2. the expiration of the period within which our next annual general meeting is required by the Articles, the Companies Law or any other applicable laws of Cayman Islands to be held; or
3. the revocation or variation of the Repurchase Mandate by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles, and the applicable laws, rules and regulations in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell the Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this prospectus:

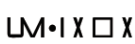
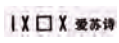
- (a) a cornerstone investment agreement dated 23 December 2019 entered into by and among our Company, Kingkey Financial International (Holdings) Limited, the Sole Sponsor and the Joint Global Coordinators, pursuant to which Kingkey Financial International (Holdings) Limited agreed to, among others, subscribe the maximum number of Shares that may be purchased with HK\$10 million at the Offer Price, rounded down to the nearest board lot of 2,000 Shares;
- (b) the Deed of Indemnity; and
- (c) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

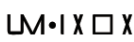
(a) Trademark

As at the Latest Practicable Date, our Group was the owner of the following trademarks, registered with the relevant authorities in respect of the class of goods and services specified below, that are material to the operations of our Group:

No.	Trademark	Registered owner	Place of registration	Registration number	Date of registration	Expiry date	Class
1.		World First Holdings	Macau	N/053530, N/053529, N/053528, N/053527	11 April 2011	11 April 2025	3, 24, 25, 44
2.		World First Holdings	Macau	N/065864, N/065865, N/065866, N/065867	27 May 2013	27 May 2020	3, 24, 25, 44
3.	A  B 	Ieng Leong	Macau	N/146759, N/146760	14 May 2019	14 May 2026	35
4.		Shenzhen Shouwei	PRC	8860617	21 December 2011	20 December 2021	3
5.		Shenzhen Shouwei	PRC	8333434	28 May 2011	27 May 2021	24
6.		Shenzhen Shouwei	PRC	8333449	7 December 2012	6 December 2022	25
7.		Shenzhen Shouwei	PRC	8860616	28 December 2011	27 December 2021	44
8.		Shenzhen Shouwei	PRC	9520551	14 January 2014	13 January 2024	25
9.		Shenzhen Shouwei	PRC	8860615	14 December 2011	13 December 2021	3
10.		Shenzhen Shouwei	PRC	8333419	28 May 2011	27 May 2021	24
11.		Shenzhen Shouwei	PRC	8333464	14 March 2012	13 March 2022	25

No.	Trademark	Registered owner	Place of registration	Registration number	Date of registration	Expiry date	Class
12.		Shenzhen Shouwei	PRC	8860614	28 December 2011	27 December 2021	44
13.		Shenzhen Shouwei	PRC	10763405	28 June 2013	27 June 2023	3
14.		Shenzhen Shouwei	PRC	10763404	21 June 2013	20 June 2023	24
15.		Shenzhen Shouwei	PRC	10763402	21 June 2013	20 June 2023	44
16.		Shenzhen Shouwei	PRC	2000464	21 August 2003	20 August 2023	25
17.		Shenzhen Shouwei	PRC	28456161	21 January 2019	20 January 2029	35
18.		Shenzhen Shouwei	PRC	28456159	28 December 2018	27 December 2028	35
19.		Shenzhen Shouwei	PRC	28456158	21 December 2018	20 December 2028	35
20.		Shenzhen Shouwei	PRC	28456160	28 December 2018	27 December 2028	35
21.		Shenzhen Shouwei	PRC	35423013	21 August 2019	20 August 2029	25
22.		World First Holdings	Hong Kong	301765503	17 November 2010	16 November 2020	3, 24, 25, 44
23.		World First Holdings	Hong Kong	302221415	13 April 2012	12 April 2022	3, 24, 25, 44
24.		World First Holdings	Hong Kong	304750858AB	28 November 2018	27 November 2028	28
25.	A 	World First Holdings	Hong Kong	304750849	28 November 2018	27 November 2028	35
	B 						
26.		Our Company	Hong Kong	304994100	16 July 2019	15 July 2029	10, 18, 25, 35

As at the Latest Practicable Date, our Group has applied for registration of following trademarks that are material to the operations of our Group with the relevant authorities in respect of the class of goods and services specified below, the registration of which has not yet been granted:

No.	Trademark	Applicant	Place of application	Application number	Date of application	Class
1.		Macau Ieng Nam	Macau	N/146756 (431), N/146757 (364), N/146758 (748)	20 November 2018	25, 28, 35
2.		Our Company	Macau	N/158808 (422), N/158809 (138), N/158810 (821), N/158811 (905)	27 August 2019	10, 18, 25, 35
3.		Shenzhen Shouwei	PRC	38998297	20 June 2019	25
4.		Shenzhen Shouwei	PRC	36723425	8 March 2019	25
5.		Shenzhen Shouwei	PRC	36704116	8 March 2019	25
6.		Shenzhen Shouwei	PRC	36704110	8 March 2019	25
7.		Shenzhen Shouwei	PRC	35406725	19 December 2018	28
8.		Our Company	PRC	40677088, 40662979, 40671049, 40666108	28 August 2019	10, 18, 25, 35
9.		Our Company	Taiwan	108052968, 108052969, 108052983, 108052986	14 August 2019	10, 18, 25, 35

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names that are material to the operations of our Group:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	wfholdings.co	World First Holdings	23 February 2018	23 February 2021
2.	wfholdings.com	Macau Ieng Nam	21 January 2012	21 January 2026
3.	wfholdings.com.cn	Macau Ieng Nam	27 June 2017	27 June 2027
4.	forward-fashion.com	World First Holdings	29 May 2019	28 May 2021

Information contained in the above websites does not form part of this prospectus.

Save as disclosed in the paragraph headed “B. Further Information about the Business of our Group – 2. Intellectual property rights of our Group” in this appendix, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests – Interests and short positions of our Directors and in shares, underlying shares and debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of share options granted under the Share Option Scheme), the interests and short positions of our Directors and chief executives in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to

be notified to our Company and the Stock Exchange once our Shares are listed will be as follows:

(i) *Interest in our Company*

Name of Director	Capacity/ Nature of Interest	Number of Shares ^(Note 1)	Percentage of shareholding
Mr. Fan ^(Note 2)	Interest in a controlled corporation	300,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position in our Shares.
- (2) Gold Star is wholly owned by Mr. Fan. Therefore, Mr. Fan is deemed to be interested in all the Shares held by Gold Star under the SFO.

(ii) *Interest in the shares of associated corporations*

Name of Director	Capacity/ Nature of Interest	Name of associated corporation	Number of shares	Percentage of shareholding in the associated corporation
Mr. Fan	Beneficial owner	Gold Star	10	100%

None of our Directors or our chief executive will immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of share options granted under the Share Option Scheme) have any disclosable interests (as referred to in (a) above), other than as disclosed in (i) and (ii) above.

(b) *Particulars of Directors’ service contracts and letters of appointment*

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by our Board or our Shareholders of our Company. The office of an executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our executive Directors may be terminated by either party by giving at least three month’s written notice to the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by our Board or our Shareholders of our Company. The office of an independent non-executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our independent non-executive Directors may be terminated by either party by giving at least three month's written notice to the other.

Save as disclosed in this paragraph headed "C. Further Information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of Directors' service contracts and letters of appointment", none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group.

(c) *Remuneration of Directors*

The aggregate amount of remuneration (including salaries, discretionary bonuses, other benefits and contributions to pension schemes) which were paid to our Directors for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019 were approximately HK\$3.6 million, HK\$4.8 million, HK\$5.5 million and HK\$3.3 million, respectively.

It is estimated that remuneration (including salaries, contributions to retirement benefit schemes and pension but excluding discretionary bonus) equivalent to approximately HK\$6.6 million in aggregate will be paid and granted to our Directors by us in respect of the year ending 31 December 2019 under arrangements in force at the date of this prospectus.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

No Directors has been paid in cash or shares or otherwise by any person either as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which our Director has waived or agreed to waive any emoluments for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019.

After the Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, time devoted to our Group and performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have interests or short positions in our Shares and underlying shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares ^(Note 1)</u>	<u>Percentage of interests</u>
Gold Star	Beneficial owner	300,000,000 (L)	75%
Ms. Cheng King Ling ^(Note 2)	Interest of spouse	300,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position in our Shares.
- (2) Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

3. Agency fees or commission

Within the two years preceding the date of this prospectus, 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 us or any of our subsidiaries.

4. Related party transactions

Please refer to Note 36 of the Accountant’s Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

5. Disclaimers

Save as disclosed in this appendix:

- (a) none of our Directors or chief executive of our Company has any interest and short position in our Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Companies;
- (b) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other Information – 8. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other Information – 8. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the persons referred to in the paragraph headed “E. Other Information – 8. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) none of our Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (f) taking no account of any Shares which may be taken up upon the exercise of the Over-allotment Option and Shares that may be issued upon the exercise of share options granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in our Shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of

the SFO or be interested, directly or indirectly, 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 member of our Group; and

- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders and Directors passed on 17 December 2019:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Group.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

Our Board of our Company may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of our Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors who, in the sole opinion of our Board has contributed or will contribute to our Group (collectively, the “**Eligible Participants**”) and whom our Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect conditional upon and is subject to:

- (i) the passing of the necessary resolutions by our Board and our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Committee granting the listing of, and permission to deal in, our Shares to be issued pursuant to the exercise of options under the Share Option Scheme;

- (iii) the obligations of the Underwriters (under the Underwriting Agreements) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Sole Sponsor, acting for and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and
- (iv) the commencement of dealings in our Shares on the Stock Exchange, (the “**Conditions**”).

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the “**Scheme Period**”), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. Grant of options

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine (the “**Offer Document**”), requiring the 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.

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the “**Grantee**”) and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the “**Offer Date**”).

(c) Restrictions on time of grant

- (i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

- (1) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (ii) For so long as the shares are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of our Company are published and:

- (1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates shall be subject to, in addition to the approval of our independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by our Company to its Shareholders and the approval of our Shareholders in general meeting if our Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date:

- (i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of our Shares in issue on the Offer Date; and
- (ii) would have an aggregate value, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Exercise Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be determined by our Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of our Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where our Shares have been listed on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of our Shares in connection with such listing shall be deemed to be the closing price of our Shares for each Business Day falling within the period before the listing of our Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme) (the “**Scheme Limit**”) which is expected to be 40,000,000 Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders’ approval. Options previously granted under the Share Option Scheme, whether

outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of options beyond scheme limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by our Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted under any schemes of our Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of

such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before our Shareholders' approval. The date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as our Company's independent financial advisor shall certify to our Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding option;
- (ii) the Exercise Price; and/or
- (iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial advisor shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5

September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to our Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name our Shares issued pursuant to the Share Option Scheme may be registered).

10. Rights attached to the Shares

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the “**Registration Date**”) other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of our Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Exercise of options

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by our Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as our Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not);
- (b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under sub-paragraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);
- (c) if a general 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 holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his

option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;

- (d) if a compromise or arrangement between our Company and our Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and
- (e) in the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for our Shares in respect of which the notice is given whereupon our Company

shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(e);
- (iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;
- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of our Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date that is thirty (30) days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);
- (vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the Share Option Scheme

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of “**Eligible Participant**,” “**Expiry Date**,” “**Grantee**” and “**Option Period**” contained in the Share Option Scheme; or
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of our Board in respect of alteration of the Share Option Scheme,

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit our Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

We may by ordinary resolution in general meeting or our Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business – Litigation” in this prospectus, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

2. Tax and other indemnities

Our Controlling Shareholders have, under a Deed of Indemnity referred to in the paragraph headed “B. Further Information about the Business of our Group – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company in connection with, amongst other things, taxation resulting from profits or gains earned, accrued or received, and any penalty imposed due to non-compliance with any applicable laws, rules and regulations by our Group on or before the date the Global Offering becomes unconditional.

(a) Tax indemnities

Under the Deed of Indemnity, amongst others, our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group against:

- (i) any taxation falling on our Group relating to any estate duty in any part of the world on or before the date on which the Global Offering becomes unconditional and dealings in our Shares first commence on the Stock Exchange (the “**Effective Date**”);
- (ii) any taxation falling on our Group resulting from or by reference to, *inter alia*, any income received on or before the Effective Date;
- (iii) all reasonable costs which our Group may properly incur in taxation claim against our Group; and
- (iv) any taxation arising out of any additional assessments by any fiscal authorities in respect of any company in our Group in relation to the tax years beginning 1 January 2016 ending on the Effective Date;

The indemnity will not cover any taxation claim, to the extent that, *inter alia*:

- (i) full provision or allowance has been made for such taxation in the audited accounts of our Group up to as set out in Appendix I to this prospectus;
- (ii) such taxation arises or is incurred as a result of any retrospective change in law or increase in tax rates coming into force after the Effective Date;
- (iii) the liability for such taxation that is caused by the act or omission of, or transaction voluntarily effected by our Group in the ordinary course of business;
- (iv) any provision or reserve made for such taxation in the audited accounts of our Group as set out in Appendix I to this prospectus, which is finally established to be an over-provision or an excessive reserve.

(b) *Non-compliance with and/or breach of laws, rules and regulations*

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any claims, actions, losses, liabilities and costs incurred by our Group as a result of any non-compliance with the applicable laws, rules and regulations by our Group on or before the Effective Date.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

(c) *Outstanding and potential litigation*

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any losses, liabilities, costs, damages and fees incurred by our Group as a result of any outstanding and potential litigations, including criminal litigations, and claims against our Group on or before the Effective Date.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

3. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

5. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Shares to be issued as mentioned in this prospectus, any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of options granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No material adverse change

Our Directors confirm that there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 31 July 2019, the date of the latest audited consolidated financial statements of our Group, and up to the date of this prospectus.

7. Underwriting commission

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Commission and expenses” in this prospectus.

8. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinions and/or advice in this prospectus:

Name	Qualifications
China Industrial Securities International Capital Limited	A licensed corporation carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Zhong Lun Law Firm	Registered law firm in the PRC
Frost & Sullivan International Limited	Independent industry consultant

9. Consents of experts

Each of the experts named in the paragraph headed “E – Other Information – 8. Qualifications of experts” of this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in our Company or any of its subsidiaries.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Financial Advisor

Our Company has not retained any financial advisor in connection with the Global Offering.

12. Independence of sponsor and sponsor's fee

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by our Company a total fee of approximately HK\$5.8 million to act as sponsor to our Company in connection with the Global Offering.

13. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by our Company's principal share registrar, Conyers Trust Company (Cayman) Limited and a branch register of members of our Company in Hong Kong will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to the Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

14. Taxation of holders of Shares**(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as our Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of our Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of our Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of our Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(b) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

15. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) Within the two years preceding the date of this prospectus, no share or loan capital or debentures of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) Within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the principal subsidiaries;
- (iii) Within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares;
- (iv) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (vi) None of the parties (save in connection with the Underwriting Agreements) listed in the paragraph headed “E. Other Information – 8. Qualifications of experts” in this appendix:
 - (a) is interested legally or beneficially in any securities of any member of our Group;

- (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; or
- (c) has received any commission, discount, agency fee, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (vii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (viii) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (ix) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (x) there is no arrangement under which future dividends have been waived;
- (xi) our Group has no outstanding convertible debt securities; and
- (xii) the English text of this prospectus shall prevail over the Chinese text.

16. 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 (Cap. 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (1) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (2) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 9. Consents of experts” in Appendix IV to this prospectus; and
- (3) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Addleshaw Goddard (Hong Kong) LLP at 802–804, Champion Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles of Association;
- (2) the Accountant’s Report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for FY2016, FY2017, FY2018 and the seven months ended 31 July 2019;
- (4) the report prepared by PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the industry report prepared by Frost & Sullivan International Limited;
- (6) the legal opinion issued by our PRC Legal Advisors;
- (7) the letter of advice prepared by Conyers Dill & Pearman summarising the constitution of our Company and certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (8) the Companies Law;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR INSPECTION**

- (9) the service contracts and letters of appointment of our Directors referred to in the paragraph headed “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (10) the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (11) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 9. Consents of experts” in Appendix IV to this prospectus; and
- (12) the Share Option Scheme.



FORWARD FASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited

尚晉(國際)控股有限公司