



Regina Miracle

維珍妮國際(控股)有限公司
Regina Miracle International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2199



Sole Sponsor and Sole Global Coordinator

Morgan Stanley

Joint Bookrunners and Joint Lead Managers

Morgan Stanley



IMPORTANT

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



Regina Miracle International (Holdings) Limited

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	295,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	29,500,000 Shares (subject to adjustment)
Number of International Offer Shares	:	265,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$6.38 per Offer Share plus brokerage of 1.0%, 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	:	US\$0.01 per Share
Stock code	:	2199

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

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, September 30, 2015 and, in any event, not later than Tuesday, October 6, 2015. The Offer Price will be not more than HK\$6.38 per Offer Share and is currently expected to be not less than HK\$5.38 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$6.38 per 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 less than HK\$6.38 per Offer Share.

The Sole Global Coordinator (on behalf of the Hong Kong Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) on or before Tuesday, October 6, 2015 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

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, except that Offer Shares may be offered, sold or delivered to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

September 24, 2015

EXPECTED TIMETABLE

Latest time for completing electronic applications under

White Form eIPO service through the designated

website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Wednesday,
September 30, 2015

Application lists open⁽³⁾ 11:45 a.m. on Wednesday,
September 30, 2015

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

Application Forms 12:00 noon on Wednesday,
September 30, 2015

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

eIPO applications by effecting internet banking

transfer(s) or PPS payment transfer(s) 12:00 noon on Wednesday,
September 30, 2015

Latest time for giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Wednesday,
September 30, 2015

Application lists close⁽³⁾ 12:00 noon on Wednesday,
September 30, 2015

Expected Price Determination Date⁽⁵⁾ Wednesday,
September 30, 2015

(1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before Wednesday, October 7, 2015

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration 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 — 11. Publication of Results" in this prospectus Wednesday, October 7, 2015

EXPECTED TIMETABLE

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.reginamiracleholdings.com⁽⁶⁾ from Wednesday, October 7, 2015

Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a "search by ID" function from Wednesday, October 7, 2015

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Wednesday, October 7, 2015

Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Wednesday, October 7, 2015

Dealings in the Shares on the Stock Exchange expected to commence on Thursday, October 8, 2015

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 30, 2015, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section 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 is expected to be on or around Wednesday, September 30, 2015 and, in any event, not later than Tuesday, October 6, 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and us by Tuesday, October 6, 2015, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Thursday, October 8, 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE

- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO service** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 7, 2015 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

	Page
Expected Timetable	i
Contents	iv
Summary	1
Definitions	16
Glossary of Technical Terms	27
Forward-looking Statements	29
Risk Factors	30
Information about this Prospectus and the Global Offering	55
Directors and Parties Involved in the Global Offering	59
Corporate Information	62
Industry Overview	64
Regulatory Overview	78
Our History and Development	90
Business	97
Relationship with Our Controlling Shareholders	157
Connected Transactions	164
Directors, Senior Management and Employees	168
Substantial Shareholders	181
Share Capital	182
Cornerstone Investors	184
Financial Information	188
Future Plans and Use of Proceeds	242
Underwriting	244
Structure of the Global Offering	255
How to Apply for Hong Kong Offer Shares	264
Appendix I — Accountant’s Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of Our Company and Cayman Companies Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

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

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

OVERVIEW

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for leading global brands through an innovative design manufacturer (“IDM”) business model. Our IDM business model has spearheaded our rapid development into the industry’s number one bra manufacturing company globally with a market share of 1.0% based on production volume in 2014, according to the Frost & Sullivan Report. We offer a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products.

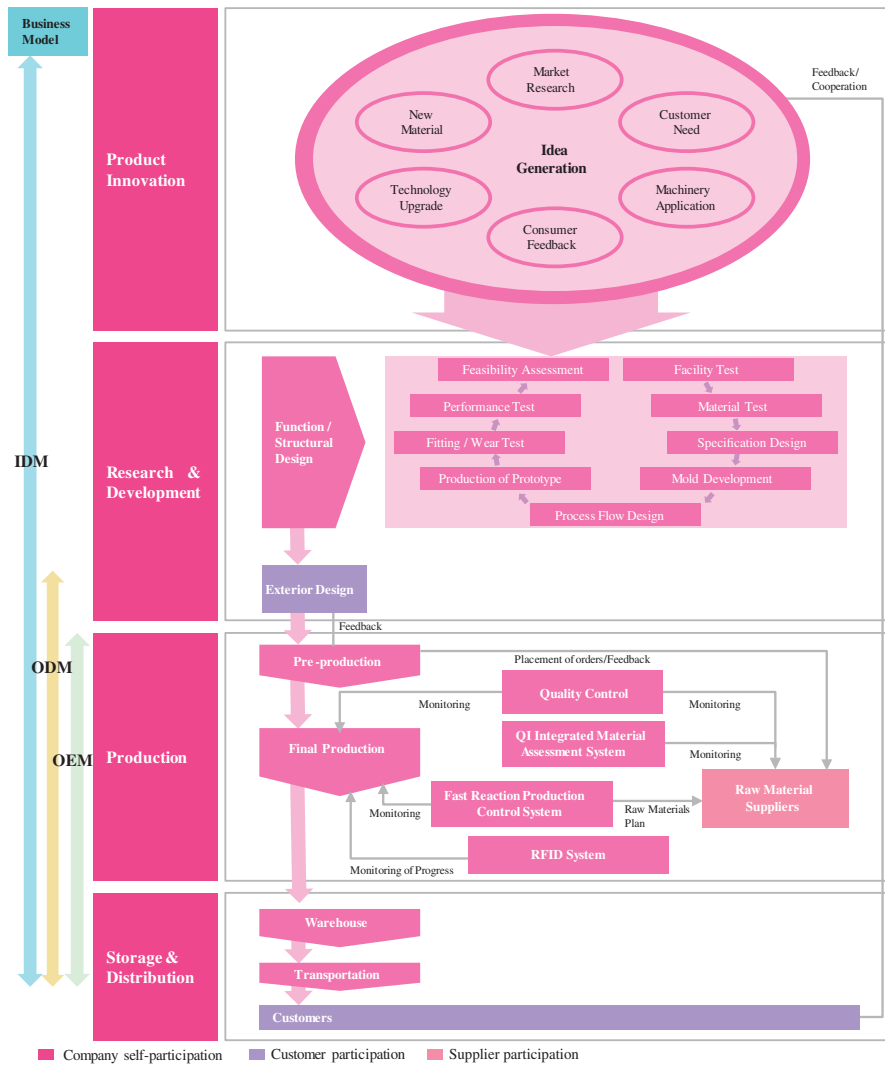
Our Business Model

Unlike the traditional OEM or ODM business model, which only focuses on certain stages of the production process, we are able to provide our customers with high value-added and integrated IDM services ranging from product concept design, material and technological development, specification design to production. By having an edge on developing and integrating innovative technologies, equipment and materials across multiple industries, our IDM business model constantly results in breakthroughs in product technology, structure and functional design so as to provide innovative products that meet our customers’ needs and lead the development of the industry. We believe that our IDM business model gives us a competitive advantage at the front-end of the industry value chain which makes us a value-creator and enables us to become a driving force for developing new products and break-through technologies.

According to the Frost & Sullivan report, IDMs and ODMs primarily differ in the following respects. While an IDM is capable of creating and developing new products through extensive research and development efforts with respect to functionalities, structures and raw materials, an ODM in general depends upon and receives instructions from customers in order to design and manufacture products, and does not seek to innovate independently. In addition, an ODM generally possesses only limited capabilities to design the appearance of products and does not engage in research and development activities with respect to functionalities, structures and raw materials. By contrast, IDMs innovate proactively and independently and devote substantial resources to conducting market research and to designing new product concepts. These investments enable IDMs to develop new products for brand owners without receiving any specific instructions or guidance, to follow and adapt to trends in the market, and to better understand consumers’ needs. As compared with ODMs, IDMs generally have deeper insights into consumer demands, new and developing market trends, and the application of advanced technologies to different segments within a given industry.

SUMMARY

The following chart illustrates our business model and the services we provide within the industry value chain:



Our IDM business model has brought us the following key competitive advantages with respect to product functional and performance design, research and development:

- Cross-industry innovations:* We strive to develop break-through products to lead the industry. We are able to generate, grasp and realize ideas and develop technologies across multiple industries and product lines. Our sports footwear products are the best examples of our success in cross-industry and cross-product-line innovations. We believe our strong product design, research and development capabilities are critical to successfully building and maintaining our leading market position globally.

SUMMARY

- *Leading functional design capabilities:* We focus on optimizing the functionality of our products, and we efficiently commercialize new product functional and performance designs. As a result, we believe that we have become an important product development partner for our leading brand customers. As we focus on the research and development of raw materials, functionality and comfortability, our products can fulfill our customers' high-quality and sophisticated requirements.
- *Integration of up- and down-stream resources:* In addition to working closely with our customers on product development, we also integrate up- and down-stream resources in the industry value chain and take part in core stages related to research and development. We jointly develop new raw materials with well-known suppliers in the intimate wear industry, including Inoac, Pacific Textiles and Best Pacific while, at the same time, working together with other raw material suppliers such as world-renowned chemical engineering companies Henkel and Bluestar, to develop innovative functional materials and application solutions. Some of these materials are exclusive for our use only.

Our Industry and Market Position

According to the Frost & Sullivan Report, from 2009 to 2014, in terms of production volume, the global intimate wear manufacturing market grew from 13.2 billion units to 17.4 billion units, representing a CAGR of 5.7% during the period. The global intimate wear manufacturing market, in terms of production volume, is expected to grow at a CAGR of 6.6% over the next five years. According to the same report, the global production volume of bras increased from approximately 3.6 billion units in 2009 to approximately 4.9 billion units in 2014, representing a CAGR of 6.4% from 2009 to 2014. The global production volume of bras is expected to reach approximately 6.9 billion units, representing a CAGR of 7.1% from 2014 to 2019.

In 2014, we were the industry's number one bra manufacturing company globally in terms of bra production volume with a market share of approximately 1.0%, according to the Frost & Sullivan Report. However, we operate in a highly competitive and fragmented industry. We compete with a broad range of intimate wear manufacturing companies globally. According to the Frost & Sullivan Report, the top four players in the global bra manufacturing industry accounted for only 3.5% market share in terms of production volume in 2014.

In addition, according to the Frost & Sullivan Report, the global sports footwear manufacturing industry as well as the Chinese sports footwear manufacturing industry have been growing and will continue to grow rapidly. Benefiting from larger economies of scale in the PRC, we have developed pioneering innovation and research and development capabilities in relation to the manufacture of sports footwear and been able to provide high value-added and integrated IDM services to our customers in the sports footwear industry, which, we believe, has resulted in the significant growth in our sports footwear manufacturing operations during the Track Record Period.

SUMMARY

Our Products

Our products can be divided into three categories: (1) bras and intimate wear (including bras, sports bras, panties, shape wear and others); (2) bra pads and other molded products; and (3) functional sports products (including sports footwear, functional seamless sportswear and wearable related sports products). The following table sets forth a breakdown of our revenue by product category, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Bras and intimate wear	2,029,924	69.9	2,857,426	75.1	2,941,077	70.2
Bra pads and other molded products	833,530	28.7	796,694	21.0	774,793	18.5
Functional sports products ⁽¹⁾ . . .	39,819	1.4	148,851	3.9	476,139	11.3
Total	2,903,273	100.0	3,802,971	100.0	4,192,009	100.0

Note:

(1) Revenue generated from sales of sports footwear amounted to zero, HK\$48.6 million and HK\$367.6 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of functional seamless sportswear amounted to HK\$38.8 million, HK\$96.5 million and HK\$101.9 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of wearable related sports products amounted to HK\$1.0 million, HK\$3.8 million and HK\$6.6 million, respectively, in Fiscal 2013, 2014 and 2015.

Our Customers

We are an important product research and development partner and supplier for our customers. The majority of our customers are internationally recognized intimate wear and sporting goods brands that have a large consumer base. Our customers include:

- *Intimate wear brands:* Victoria's Secret owned by LBrands; Bali and Maidenform owned by Hanes Brands; and Calvin Klein and Warner's owned by PVH.
- *Sporting goods brands:* VSX; adidas and Reebok owned by adidas Group; Under Armour owned by Under Armour; and Champion owned by Hanes Brands.



SUMMARY

Each of the brands as set forth above was one of our five largest customers in our respective product categories during the Track Record Period. Most of our major intimate wear brand customers have been associated with us for more than ten years. We particularly benefit from our 15-year relationship with LBrands, the largest retailer of lingerie in the U.S. Globally, we are one of LBrands' largest suppliers of intimate wear, and also closely partner with them from idea generation through product research and development, to the final delivery of high-quality products.

In Fiscal 2013, 2014 and 2015, sales to our largest customer accounted for 32.2%, 35.0% and 30.0% of our total revenue, respectively, while sales to our five largest customers accounted for 68.4%, 71.3% and 68.6% of our total revenue, respectively.

In Fiscal 2013, 2014 and 2015, 63.4%, 70.7% and 70.5% of our revenue was attributable to sales to the United States.

Our In-house Product Design, Research and Development Capability

As of the Latest Practicable Date, we had an in-house staff of approximately 900 employees in our product design, research and development department dedicated to product development and technology advancement, and 79 sets of CNC milling machines, outpacing most other bra manufacturers in the world. Many mainstream engineering skills or widely used technologies in today's intimate wear industry were originally developed or implemented by us.

Our Production and Supply Chain Management System

We have an integrated production control and supply chain management system through which we closely monitor all key stages of our manufacturing processes. Our streamlined and standardized production process utilizes automated technology to optimize production flow and efficiency. The principal raw materials we use in the production of our products include fabric, foam, glue and accessories. Our cost of sales primarily consisted of cost of raw materials, employee benefit expense for personnel directly involved in our production activities, depreciation of our production equipment and others during the Track Record Period. In Fiscal 2013, 2014 and 2015, purchases from our five largest suppliers together accounted for 45.4%, 46.9 and 46.4% of our total purchases, respectively, while our largest supplier for the same periods accounted for 15.7%, 15.4% and 15.0% of our total purchases, respectively.

SUMMARY

As of the Latest Practicable Date, our Shenzhen facility had a total of 393 production lines and approximately 2,300 molding machines. The following table sets forth a summary of our annual production capacity in terms of the number of products and utilization rates for each of our product categories in our Shenzhen facility for the periods indicated.

Product Category:	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾
	(pieces/pairs)	(%)	(pieces/pairs)	(%)	(pieces/pairs)	(%)
Bras and intimate wear	40,700,000	88	51,600,000	90	58,700,000	90
Bra pads and other molded products	106,000,000	90	117,000,000	89	128,000,000	91
Functional sports products ⁽²⁾	670,000	89	1,590,000	87	3,700,000	90

Notes:

- (1) The utilization rate is calculated based on the actual output for the relevant year divided by the actual designed output capacity for the relevant year on an annualized basis.
- (2) The production capacity of our sports footwear was zero, 342,000 pairs and 2,500,000 pairs, respectively, in Fiscal 2013, 2014 and 2015.

We plan to expand our production capacity by constructing additional production facilities in multiple regions. The following table sets forth certain information relating to our new facilities in Vietnam.

Production Facilities	Key Products	Planned Annual Capacity	Estimated Capital Expenditures ⁽¹⁾	Expected Timeline
Hai Phong, Vietnam (First Vietnam facility).	Bras and intimate wear	approximately 45,600,000 pieces	HK\$450 million ⁽²⁾	212 production lines expected to commence operation in the first quarter of 2016.
Hai Phong, Vietnam (Second Vietnam facility).	Bra pads and other molded products	approximately 96,000,000 pairs	HK\$400 million ⁽³⁾	24 production lines and approximately 2,000 molding machines expected to commence operation in the third quarter of 2016.
	Functional sports products	approximately 3,600,000 pieces		
Hai Duong Province, Vietnam (Third Vietnam facility).	Sports footwear	approximately 5,000,000 to 6,000,000 pairs	HK\$300 million ⁽⁴⁾	Expected to commence operation in 2017.
Hai Phong, Vietnam (Fourth Vietnam facility).	Sports bras	approximately 20,000,000 pieces	HK\$350 million ⁽⁵⁾	Expected to commence operation in 2018.
	Functional sports products	approximately 10,000,000 pieces		

Notes:

- (1) The estimated capital expenditures refer to the total estimated capital expenditures expected to be incurred in connection with the establishment of these new facilities in Vietnam for the period up to the corresponding date of commencement of operations.
- (2) The entire amount of HK\$450.0 million is expected to be incurred in Fiscal 2016. As of July 31, 2015, we have incurred HK\$261.5 million in connection with the establishment of this facility.
- (3) Out of HK\$400.0 million, HK\$160.0 million is expected to be incurred in Fiscal 2016 and HK\$240.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.
- (4) We do not expect to incur any capital expenditures for the establishment of this facility in Fiscal 2016. The entire amount of HK\$300.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.
- (5) We do not expect to incur any capital expenditures for the establishment of this facility in Fiscal 2016. The entire amount of HK\$350.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.

SUMMARY

The additional depreciation of property, plant and equipment and amortization of leasehold land to be incurred in connection with our planned 236 production lines and 2,000 molding machines at our first and second Vietnam facilities is expected to be approximately HK\$48.0 million for the first full year of commercial production based on the HK\$850.0 million estimated capital expenditures. In addition, we expect to incur lower labor costs and tax expenses in Vietnam as compared to the PRC. Therefore, our Directors are of the view that our expansion plans in Vietnam will not have any material adverse impact on our financial performance in the near term.

In addition, in order to capture potential opportunities in the PRC market, we plan to construct an additional facility in the Wujiang National Economic and Technological Development Zone in Jiangsu Province, China. In order to position us for these potential opportunities, as a first step, we entered into a memorandum of understanding with the Management Commission of the Wujiang National Economic and Technological Development Zone in August 2014 contemplating an acquisition of a parcel of land with an aggregate site area of 377 mu for our use for a term of 50 years. The site area of the parcel of land to be acquired and the number of phases over which the land is to be acquired will be subject to further negotiation and confirmation of both parties. We paid a security deposit of RMB6.0 million for the contemplated acquisition of land to the Management Commission of the Wujiang National Economic and Technological Development Zone in September 2015. We expect to incur capital expenditures in an aggregate amount of HK\$200.0 million (with HK\$50.0 million expected to be incurred in Fiscal 2016 and HK\$150.0 million expected to be incurred in Fiscal 2017 and 2018), primarily for the payment of land acquisition cost and preliminary construction costs, in connection with our expansion plan in Wujiang, Jiangsu Province, China. As of the Latest Practicable Date, there has been no update on the progress of the negotiation with the Management Commission of the Wujiang National Economic and Technological Development Zone for the acquisition of the land in Wujiang, Jiangsu Province, China, which has been ongoing since August 2014.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from other industry participants, have contributed to our success and will continue to enable us to increase our market share and capture future growth opportunities:

- We are the industry's number one bra manufacturing company globally and by leveraging our innovation advantages, we have quickly grown into a trend-setting IDM company
- We possess pioneering innovation and research and development capabilities which enable us to continuously introduce best-selling products
- Strategic cooperation with leading global brands and quality customers are cornerstones of our success
- Our innovation and research and development capabilities enable us to successfully expand our product lines into functional sports products
- We have an efficient and timely production control and supply chain management system

SUMMARY

- We have an experienced, innovative and professional management team with an entrepreneurial and research and development spirit and a proven track record

OUR BUSINESS STRATEGIES

Our goals are to continue to strengthen our position as a leading global intimate wear IDM company and to become one of the leading players in the functional sports products industry globally. We aim to achieve these goals through the following:

- Solidify and strengthen our core competitiveness of technology innovation
- Continue to expand our intimate wear businesses
- Further expand our product portfolio
- Further expand manufacturing capacities in multiple regions

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of March 31, 2013, 2014 and 2015 and for Fiscal 2013, 2014 and 2015, extracted from the Accountant's Report set out in Appendix I to this prospectus. The following summary should be read in conjunction with the consolidated financial information in Appendix I, including the accompanying notes and the information set forth in "Financial Information" on pages 164–211.

Summary Consolidated Income Statements

The following table sets forth a summary of our summary consolidated income statements for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	2,903,273	3,802,971	4,192,009
Cost of sales	(2,277,011)	(3,012,621)	(3,212,625)
Gross profit	626,262	790,350	979,384
Other income	5,595	8,078	3,751
Other gains, net	1,426	6,015	910
Distribution and selling expenses	(74,422)	(75,956)	(79,337)
General and administrative expenses	(279,201)	(317,381)	(311,195)
Research and development costs	(96,382)	(110,112)	(125,792)
Gains/(losses) on derivative financial instruments . .	18,408	(49,516)	3,156
Finance costs, net	(48,861)	(51,716)	(50,696)
Profit before income tax	152,825	199,762	420,181
Income tax expense	(24,731)	(32,851)	(82,375)
Profit for the year	128,094	166,911	337,806
Adjusted profit for the year⁽¹⁾	112,723	208,257	335,171

Note:

(1) Adjusted profit for the year refers to profit for the year without including gains/(losses) on derivative financial instruments and related income tax impact, which is derived by deducting gains on derivative financial instruments from profit for the year or adding losses on derivative financial instruments to profit for the year, as applicable, and excluding the related tax

SUMMARY

impact. This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of our financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of our liquidity.

Summary Consolidated Balance Sheets

The following table sets forth a summary of our consolidated balance sheets as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Assets			
Non-current assets	1,055,402	1,102,567	1,325,909
Current assets	1,508,764	1,818,554	1,803,728
Total assets	2,564,166	2,921,121	3,129,637
Total equity	914,244	1,027,378	1,131,284
Liabilities			
Non-current liabilities	333,677	367,867	559,441
Current liabilities	1,316,245	1,525,876	1,438,912
Total liabilities	1,649,922	1,893,743	1,998,353
Total equity and liabilities	2,564,166	2,921,121	3,129,637
Net current assets	192,519	292,678	364,816
Total assets less current liabilities	1,247,921	1,395,245	1,690,725

Summary Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	186,234	348,021	663,735
Net cash used in investing activities	(307,944)	(275,313)	(584,942)
Net cash generated from/(used in) financing activities	201,188	518	(40,915)
Net increase in cash and cash equivalents	79,478	73,226	37,878
Cash and cash equivalents at beginning of the year	63,230	142,767	217,696
Currency translation differences	59	1,703	(845)
Cash and cash equivalents at end of the year . .	142,767	217,696	254,729

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios as of the dates or for the periods indicated. For further details of our key financial ratios, see “Financial Information — Major Financial Ratios”.

Financial Ratios	Formulae	As of March 31/ Fiscal 2013	As of March 31/ Fiscal 2014	As of March 31/ Fiscal 2015
Profitability ratios:				
1. Growth				
a. Revenue growth		–	31.0%	10.2%
b. Net profit growth		–	30.3%	102.4%
2. Profit margins				
a. Gross margin	a. Gross profit/Revenue x 100.0%	21.6%	20.8%	23.4%
b. Net profit margin	b. Profit for the year/ Revenue x 100.0%	4.4%	4.4%	8.1%
Liquidity ratios:				
1. Liquidity ratios				
a. Current ratio	a. Current assets/Current liabilities	1.1	1.2	1.3
b. Quick ratio	b. (Current assets — Inventories)/ Current liabilities	0.7	0.8	0.9
2. Turnover ratios				
a. Inventory turnover days	a. Average inventories/ Cost of sales x 365 days	82	67	64
b. Receivables turnover days (average collection period)	b. Average trade receivables/ Revenue x 365 days	30	36	39
c. Payables turnover days (average payment period)	c. Average trade payables/ Cost of sales x 365 days	42	35	38
Capital adequacy ratios:				
1. Gearing ratio	(Total bank borrowings — cash and cash equivalents and pledged deposits)/ Total equity x 100.0%	99.5%	86.4%	86.0%

SUMMARY

The following table sets forth a breakdown of our sales volume, average selling price, gross profit and gross profit margin by product category for the periods indicated.

	Fiscal 2013				Fiscal 2014				Fiscal 2015			
	Sales Volume	Average Selling Price	Gross Profit	Gross Profit Margin	Sales Volume	Average Selling Price	Gross Profit	Gross Profit Margin	Sales Volume	Average Selling Price	Gross Profit	Gross Profit Margin
	'000	HK\$	HK\$'000	(%)	'000	HK\$	HK\$'000	(%)	'000	HK\$	HK\$'000	(%)
Bras and intimate wear	37,383	54.3	388,142	19.1	53,112	53.8	507,466	17.8	56,668	51.9	648,897	22.1
Bra pads and other molded products	62,671	13.3	237,357	28.5	56,907	14.0	274,410	34.4	54,181	14.3	220,542	28.5
Functional sports products	599	66.5	763	1.9	1,337	111.3	8,474	5.7	3,170	150.2	109,945	23.1
Total gross profit			626,262	21.6			790,350	20.8			979,384	23.4

Our revenue increased at a slower rate in Fiscal 2015 as compared to Fiscal 2014, primarily because our production capacity ran at approximately 90% for our key products during the relevant period. Our overall gross profit margin decreased from 21.6% in Fiscal 2013 to 20.8% in Fiscal 2014, primarily due to a change in revenue mix as a result of increased proportion of sales of bras and intimate wear, which had lower gross profit margins in general compared to that of bra pads and other molded products. Our overall gross profit margin increased to 23.4% in Fiscal 2015 primarily due to our improved production efficiency as a result of the implementation of the lean manufacturing system and the full ramp-up of the newly added production lines.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the Capitalization Issue and the Global Offering, Mr. Hung will directly and indirectly, through Regent Marvel, own in total 75% of the issued share capital of our Company, not taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme. Accordingly, Mr. Hung and Regent Marvel will continue to be our Controlling Shareholders.

RECENT DEVELOPMENT

Based on the unaudited interim condensed consolidated financial information of the Group for the four months ended July 31, 2015, which have been reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, we recorded total revenue of HK\$1,547.5 million.

SUMMARY

As of the Latest Practicable Date, we had eight outstanding foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar with an aggregate notional principal amount of US\$22.5 million. As of the Latest Practicable Date, the spot rate of the Renminbi against the U.S. dollar was 6.3999, which was higher than the pre-determined exchange rates of the Renminbi against the U.S. dollar of our outstanding foreign exchange forward contracts. With respect to our outstanding foreign exchange forward contracts as of March 31, 2015, we had booked an unrealized fair value loss in an aggregate amount of HK\$90.8 million as of March 31, 2015 and such fair value loss may, depending on the relevant foreign exchange rates as of the respective dates of settlement of the outstanding foreign exchange forward contracts, be realized in Fiscal 2016 or thereafter. Based on the spot rate of the Renminbi against the U.S. dollar as of the Latest Practicable Date, it was not necessary to book an additional unrealized fair value loss as of the same date as the aggregate notional principal amount of our outstanding foreign exchange forward contracts had decreased by US\$12.0 million from US\$34.5 million as of March 31, 2015 to US\$22.5 million as of the Latest Practicable Date and the remaining contract duration of our outstanding foreign exchange forward contracts as of the Latest Practicable Date had shortened by almost six months. Accordingly, we do not expect the depreciation of the Renminbi against the U.S. dollar to the level as of the Latest Practicable Date, as compared to March 31, 2015, to cause any adverse impact on our consolidated income statements for Fiscal 2016. Moreover, any actual loss on settlement of these outstanding foreign exchange forward contracts in Fiscal 2016 and thereafter in excess of HK\$90.8 million will be indemnified by our Controlling Shareholders. In addition, as most of our operating expenses are denominated in Renminbi, the depreciation of the Renminbi against the U.S. dollar to the level as of the Latest Practicable Date, as compared to the exchange rate as of March 31, 2015, could have resulted in cost savings of approximately HK\$48.0 million for Fiscal 2016.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that there had not been any material adverse change in our financial, operational or trading position since March 31, 2015 and up to the date of this prospectus.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately HK\$10.7 million, of which HK\$1.1 million, HK\$0.9 million and HK\$6.2 million was recognized as general and administrative expenses in our consolidated income statements for Fiscal 2013, 2014 and 2015, respectively, and HK\$2.5 million was capitalized as deferred expenses in our consolidated balance sheet as of March 31, 2015 to be recognized as a deduction in equity. We expect to incur additional listing expenses of approximately HK\$114.7 million after the Track Record Period, of which HK\$51.3 million is expected to be recognized as general and administrative expenses in Fiscal 2016 and HK\$63.4 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in Fiscal 2016.

SUMMARY

OFFERING STATISTICS

Offer size:	Initially 25% of the enlarged issued share capital of our Company
Offering structure:	Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK\$5.38 to HK\$6.38 per Offer Share

	Based on an Offer Price of HK\$5.38 per Offer Share	Based on an Offer Price of HK\$6.38 per Offer Share
Our Company's capitalization upon completion of the Global Offering ⁽¹⁾⁽²⁾	HK\$6.3 billion	HK\$7.5 billion
Unaudited pro forma adjusted net tangible asset per Share ⁽³⁾	HK\$1.60	HK\$1.84

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (2) The calculation of market capitalization is based on 295,000,000 Shares expected to be issued immediately upon completion of the Capitalization Issue and the Global Offering and assuming that 1,180,000,000 Shares are issued and outstanding immediately upon completion of the Capitalization Issue and the Global Offering.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" (including the special dividends of HK\$680,000,000 to be declared and settled against the outstanding amount due from a shareholder using the distributable reserves of the Company prior to Listing (see "Financial Information — Dividends and Dividend Policy" for further details)) in this prospectus and on the basis of 1,180,000,000 Shares are issued and outstanding immediately upon completion of the Capitalization Issue and the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$5.88 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,609.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

1. approximately 70%, representing approximately HK\$1,126.5 million, will be used to increase our production capacity, including constructing additional production facilities and purchasing additional machineries, and enhancing our research and development capabilities;
2. approximately 20%, representing approximately HK\$321.8 million, will be used to repay part of our borrowings; and
3. approximately 10%, representing approximately HK\$160.9 million, will be used as our working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated offer price range.

SUMMARY

For further information relating to our future plan and the use of proceeds from the Global Offering, see “Future Plans and Use of Proceeds”.

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. The Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders’ interests;
- our general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends on the payment of dividends to us by our subsidiaries including our subsidiaries in China. In particular, each of our PRC subsidiaries may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, each of our PRC subsidiaries is required to set aside a certain amount of its accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our or their ability to pay dividends or make other payments to our Shareholders or to us.

We declared dividends of HK\$54.0 million, HK\$63.0 million and HK\$230.0 million, respectively, in Fiscal 2013, 2014 and 2015. All declared dividends during the Track Record Period have been fully settled by offsetting against the amount due from a shareholder. In addition, pursuant to the written resolutions passed by the Shareholders on September 11, 2015, conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as maybe specified in the Underwriting Agreements, special dividends of HK\$680.0 million will be declared and settled against outstanding amount due from a shareholder using our distributable reserves prior to Listing. We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to the Group for any particular financial year.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to doing business in the PRC, and (iii) risks relating to the Global Offering. For example, our top five customers accounted for 68.6% of our total revenue in Fiscal 2015 and decreases in our sales to any of them would materially and adversely affect our operations and financial results. In addition, we do not have long-term purchase commitments from our customers, which may subject us to uncertainty and revenue volatility from period to period. A detailed discussion of all the risk factors involved are set forth in “Risk Factors” on pages 25–48 and you should read the whole section carefully before you decide to invest in the Offer Shares.

NON-COMPLIANCE

As of the Latest Practicable Date, we leased and constructed several properties in Shenzhen, Guangdong Province, the PRC to operate as production plants, warehouses, offices, research and development center and other auxiliary facilities. We and relevant lessors do not possess the required ownership related certificates and/or permits for the Shenzhen Guangming Properties with a total GFA of 399,518.42 sq.m., of which a total GFA of 285,604.73 sq.m. is production related. Based on interviews with relevant government authorities and relevant remedial measures taken by us, our PRC legal advisors are of the opinion that the risk of Shenzhen Guangming Properties being demolished or expropriated is remote and we can continue to use the Shenzhen Guangming Properties. See “Business — Properties” for details.

Although we consider the possibility of being forced to move out and relocate from the Shenzhen Guangming Properties is remote, we have entered into four legally binding Pre-lease Agreements as part of our contingency relocation plan. Pursuant to the Pre-lease Agreements, on or prior to December 31, 2016, we have the right to enter into formal lease agreements and lease any or all Backup Plants. In the unlikely event that the relocation of Shenzhen Guangming Operations is required, our production units can be moved to the Backup Plants in phases and we expect our Shenzhen Guangming Operations can be fully ramped up for production within 90 business days from the date we commence the actual physical relocation. In addition, our Vietnam facilities will commence production in the first quarter of 2016. In the unlikely event that we are forced to vacate from the Shenzhen Guangming Operations, our Vietnam facilities will have sufficient production capacity to fulfill the production needs of the Shenzhen Guangming Operations and we do not expect any material disruption to our production nor any material and adverse impacts on our Group’s operations. Please see “Business — Properties — Backup relocation plan of the Shenzhen Guangming Properties” for details.

DEFINITIONS

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

“adidas Group”	adidas AG, a company incorporated in Germany, and its subsidiaries being one of our customers and an independent third party
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company adopted on September 11, 2015 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Best Pacific”	Best Pacific Textile (Hong Kong) Ltd, a company incorporated in Hong Kong, and its affiliates, and is one of our suppliers and an independent third party
“Bluestar”	Bluestar Silicones Shanghai Co., Ltd., a company incorporated in the PRC, and its affiliates and is one of our suppliers and an independent third party
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 884,990,000 Shares to be made upon capitalization 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 Group — 3. Resolutions in writing of our Shareholders passed on September 11, 2015” in Appendix IV to this prospectus

DEFINITIONS

“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“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 a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company” or “our Company”	Regina Miracle International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability on September 21, 2010, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Hung and Regent Marvel
“CSRC”	China Securities Regulatory Commission (中國證券業監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
“EIT Rules”	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
“EU”	the European Union
“Fiscal 2013”	the fiscal year of our Company ended March 31, 2013
“Fiscal 2014”	the fiscal year of our Company ended March 31, 2014
“Fiscal 2015”	the fiscal year of our Company ended March 31, 2015
“former Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as in force from time to time before the commencement date of the Companies Ordinance
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“Hanes Brands”	Hanesbrands Inc., a company incorporated in Maryland, the United States, and its affiliates, and is one of our customers and an independent third party
“Henkel”	Henkel (China) Investment Co., Ltd., a company incorporated in the PRC, and its affiliates, and is one of our suppliers and an independent third party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 29,500,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “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 Share Registrar”	Computershare Hong Kong Investor Services Limited
“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 underwriting agreement dated September 23, 2015, relating to the Hong Kong Public Offering and entered into among the Sole Global Coordinator, the Hong Kong Underwriters, our Company and our Controlling Shareholders
“Honour First HK”	Honour First (Hong Kong) Limited (信悦(香港)有限公司) (formerly known as Honour First (Hong Kong) Limited (一鳴(香港)有限公司)), a company incorporated in Hong Kong with limited liability on July 5, 2005 and an indirectly wholly owned subsidiary of our Company
“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
“Inoac”	Inoac Corporation, a company incorporated in Japan, and its affiliates, and is one of our suppliers and an independent third party
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 265,500,000 Shares being initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering

DEFINITIONS

“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into among the Sole Global Coordinator, the International Underwriters, our Company and our Controlling Shareholders on or about Wednesday, September 30, 2015
“Joint Bookrunners” or “Joint Lead Managers”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) and CLSA Limited
“Latest Practicable Date”	September 15, 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“LBrands”	L Brands, Inc., a company incorporated in Delaware, the United States, and its affiliates, and is one of our customers and an independent third party
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about October 8, 2015, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on September 11, 2015
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
“Mr. Hung”	Mr. Hung Yau Lit (洪游歷), also known as Mr. YY Hung (洪游奕), Chairman of the Board, chief executive officer, an executive Director and our Controlling Shareholder

DEFINITIONS

“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 44,250,000 Shares at the Offer Price, as further discussed in the section headed “Structure of the Global Offering” in this prospectus
“Pacific Textiles”	Pacific Textiles Limited, a subsidiary of Pacific Textiles Holdings Limited, a company incorporated in Hong Kong, and is one of our suppliers and an independent third party
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, September 30, 2015, on which the Offer Price will be determined and, in any event, not later than Tuesday, October 6, 2015

DEFINITIONS

“PVH”	PVH Corp., a company incorporated in Delaware, the United States, and its affiliates, and is one of our customers and an independent third party
“QIB”	a qualified institutional buyer as defined in Rule 144A
“REACH”	the European Union Registration, Evaluation, Authorization and Restriction of Chemicals
“Regent Marvel”	Regent Marvel Investment Holdings Limited, a company incorporated in the BVI with limited liability on June 2, 2015 and our Controlling Shareholder
“Regulation S”	Regulation S under the U.S. Securities Act
“RM Management”	Regina Miracle Management Limited, a company incorporated in Hong Kong with limited liability on April 14, 2015 and an indirectly wholly-owned subsidiary of our Company
“RM Shenzhen”	Regina Miracle (Shenzhen) Co., Ltd. (維珍妮內衣(深圳)有限公司), a company incorporated under the laws of the PRC on April 17, 2014 and an indirectly wholly-owned subsidiary of our Company
“RMB”	Renminbi, the lawful currency of the PRC
“RMI HK”	Regina Miracle International Limited (維珍妮國際有限公司), a company incorporated in Hong Kong with limited liability on May 20, 1998 and an indirectly wholly-owned subsidiary of our Company
“RMI Suzhou”	Regina Miracle International (Suzhou) Co., Ltd. (維珍妮國際(蘇州)有限公司), a company incorporated under the laws of the PRC on January 26, 2015 and an indirectly wholly-owned subsidiary of our Company
“RMI Vietnam”	Regina Miracle International (Vietnam) Co., Ltd., a company incorporated under the laws of Vietnam on March 20, 2014 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“RMI Vietnam Hai Duong”	Regina Miracle International Hai Duong Co., Ltd., a company incorporated under the laws of Vietnam on June 26, 2015 and an indirectly wholly-owned subsidiary of our Company
“RMI Vietnam BVI”	Regina Miracle International (Vietnam) Limited (維珍妮國際(越南)有限公司) (formerly known as Regina Miracle International (Group) Limited (維珍妮國際(集團)有限公司)), a company incorporated in the BVI with limited liability on July 12, 2007 and an indirectly wholly-owned subsidiary of our Company
“RMI Vietnam HK”	Regina Miracle International (Vietnam) Limited (維珍妮國際(越南)有限公司) (formerly known as Regina Miracle International (Holdings) Limited (維珍妮國際(控股)有限公司)), a company incorporated in Hong Kong with limited liability on March 28, 2006 and an indirectly wholly-owned subsidiary of our Company
“RMIA Shenzhen”	Regina Miracle Intimate Apparel (Shenzhen) Co., Ltd. (麗晶維珍妮內衣(深圳)有限公司), a company incorporated under the laws of the PRC on February 6, 2006 and an indirectly wholly-owned subsidiary of our Company
“RMIG HK”	Regina Miracle International (Group) Limited (維珍妮國際(集團)有限公司) (formerly known as Regina Miracle International Enterprises Limited (維珍妮國際企業有限公司)), a company incorporated in Hong Kong with limited liability on November 14, 2005 and an indirectly wholly-owned subsidiary of our Company
“RMIG Suzhou BVI”	Regina Miracle International Group (Suzhou) Limited (維珍妮國際集團(蘇州)有限公司) (formerly known as Regina Miracle Investment Holdings Limited), a company incorporated in the BVI with limited liability on August 7, 2014 and an indirectly wholly-owned subsidiary of our Company
“RMIG Suzhou HK”	Regina Miracle International Group (Suzhou) Limited (維珍妮國際集團(蘇州)有限公司), a company incorporated in Hong Kong with limited liability on October 6, 2014 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“RMIH BVI”	Regina Miracle International (Holdings) Limited (維珍妮國際(控股)有限公司), a company incorporated in the BVI with limited liability on March 30, 2007 and a directly wholly-owned subsidiary of our Company
“RoHS”	the European Union Restriction of Hazardous Substances Directive
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on September 11, 2015, the principal terms of which are set out in the section “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV
“Shares”	ordinary shares in the capital of our Company with nominal value of US\$0.01 each
“Sole Sponsor” or “Sole Global Coordinator”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)
“sq.m.”	square meter
“Stabilizing Manager”	Morgan Stanley Asia Limited or any of its affiliates or any persons acting for it
“State Council”	the PRC State Council (中華人民共和國國務院)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SVHC”	the Regulations Standards with respect to Substances of Very High Concern
“Track Record Period”	Fiscal 2013, 2014 and 2015
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Under Armour”	Under Armour, Inc., a company incorporated in Maryland, the United States, and is one of our customers and an independent third party
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VSIP”	the Vietnam Singapore Industrial Park
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“3D”	3 dimensions
“AIR foam”	a foam material used for bra and bra pad production, jointly developed by us and Inoac
“assembly line balancing process”	the process of optimizing an assembly line with regard to certain given factors, such as cycle time and number of work stations
“CAD/CAM”	computer-aided design and computer-aided manufacturing technology
“CNC milling machine”	computer numerical control milling machine
“FOB”	free on board, which means that the seller pays for transportation of the goods to the port of shipment as well as loading costs; the buyer pays cost of marine freight transport, insurance, unloading and transportation from the arrival port to the final destination; and the passing of risks occurs when the goods are loaded on board at the port of shipment
“GPS”	global positioning system
“GSD system”	garment sewing data system
“IDM”	an innovative design manufacturer
“ODM”	an original design manufacturer, which refers to a company that designs in-house and manufactures a product which ultimately will be branded by its customer for sale
“OEM”	an original equipment manufacturer, which refers to a company that manufactures a product in accordance with its customer’s designs which ultimately will be branded by its customer for sale
“PLM system”	product lifecycle management system
“QI system”	raw material quality joint inspection system

GLOSSARY OF TECHNICAL TERMS

“RFID system”	radio-frequency identification technology system
“RFT system”	Right-First-Time system, a quality management system through which we conduct quality checks during the production process
“SAP system”	the SAP ERP system, an enterprise resource planning software developed by the German company SAP SE
“standard minute value”	the time required for a qualified worker working at standard performance to perform a given task
“WIP”	work-in-progress

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to the 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. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events 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 we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Our top five customers accounted for 68.6% of our total revenue in Fiscal 2015 and any decrease in our sales to any of them would materially and adversely affect our operations and financial results.

A majority of our revenue is derived from a limited number of customers. In Fiscal 2013, 2014 and 2015, sales to our largest customer accounted for 32.2%, 35.0% and 30.0% of our total revenue, respectively, while sales to our five largest customers accounted for 68.4%, 71.3% and 68.6% of our total revenue, respectively.

Our current concentration on a few significant customers exposes us to the risks of substantial losses if a single, dominant customer stops engaging in businesses with us or significantly reduces orders to us. Specifically, any of the following events, among others, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations:

- the reduction, delay or cancelation of purchase orders from one or more of our significant customers;
- the reduction in the purchase price of our products;
- the rejection of products manufactured by us for one or more of our significant customers due to manufacturing defects or other reasons;
- the decision by one or more of our significant customers to select one or more of our competitors to supply products;
- the loss of one or more of our significant customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or
- the failure or inability of any of our significant customers to make timely payment for our products.

We anticipate that our dependence on a limited number of high-quality customers will continue for the foreseeable future. We cannot assure you that our customer relationships will continue to develop or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our results of operations and financial condition.

RISK FACTORS

We do not have long-term purchase commitments from our customers, which may subject us to uncertainty and revenue volatility from period to period.

We do not have long-term purchase commitments from our customers. Our customers' purchases are made on a purchase order basis, and it is difficult to forecast quantities of future purchase orders. Although our customers typically place order forecast six to 12 months in advance, these order forecasts are non-binding and we are subject to reduced lead-times in customer orders as customers may cancel or defer their orders or change the size or timing of their orders on short notice. We cannot assure you that the production volume or our customers' purchase orders will be consistent with our expectation when we plan for our expenditures. Cancellations, reductions or postponements of purchase orders by a major customer or by a group of customers could adversely affect business, financial condition and our results of operations.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, raw material procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to estimate accurately future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources. Although we have increased our manufacturing capacity and have planned further expansion, we may not have sufficient capacity at any given time to meet our customers' demands. Although many of our costs and operating expenses are relatively flexible, a reduction in customer demand could still negatively impact our gross margin and results of operations.

Our success as a leading intimate wear IDM company depends to a great extent on our research and development capabilities and failure to derive the desired benefits from our product research and development efforts may hurt our competitiveness and profitability.

Our success as a leading intimate wear IDM company is dependent on our ability to develop new products and more efficient production capabilities. We make significant investments in product research and development, in particular, to improve the quality of our products and expand our new product offerings, which we believe are factors crucial for our future growth and prospects. In Fiscal 2013, 2014 and 2015, we incurred research and development costs of HK\$96.4 million, HK\$110.1 million and HK\$125.8 million, respectively. We cannot assure you that our future product research and development projects will be successful or be completed within the anticipated time frame or budget, or that our newly developed products will achieve wide market acceptance. Even if such products can be successfully commercialized, there is no guarantee that they will be accepted by our customers and achieve anticipated sales target or in a profitable manner.

In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products. It is often difficult to project the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we continue to fail in our product launching efforts, our business, prospects, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our results of operations could be adversely affected if we fail to keep pace with customer demands and preferences for product design, research and development and manufacturing of our products.

We design, develop and manufacture intimate wear (including bras, sports bras, panties, shape wear and others), bra pads and other molded products, and functional sports products (including sports footwear, functional seamless sportswear and wearable related sports products) for world leading intimate wear and sporting goods companies. The intimate wear and sporting goods markets are affected by rapid changing fashion trends and consumer preferences as well as changes in consumers' spending patterns, which are often difficult to predict. Consequently, our success depends on our ability to accurately identify these factors and take them into account during our product planning and manufacturing process. This requires a combination of various elements, including, without limitation, accurate analysis and prediction of market trends, timely collection of consumer feedback, strong research and development capability and flexible and cost-effective product production. If we are unable to successfully anticipate, identify or timely react to changing consumer preferences or market trends or if we misjudge the market for our products, the growth and success of our business could be materially and adversely affected, potentially resulting in significant decreases in sales. Specifically, any of the following events, among others, may have a material and adverse effect on our business, financial condition and results of operations:

- failure to remain competitive in our product design, research and development capabilities;
- failure to maintain short cycles for product design, research and development while meeting evolving industry production standards;
- inability to maintain the high-quality of our manufacturing;
- failure to maintain our efficient and cost-effective production operation; or
- inability to distribute our products in a timely and efficient manner in response to customer demand; or
- failure to recruit or train sufficient research and development employees.

Our success depends on our customers' ability to successfully market and sell their products developed and manufactured by us.

The majority of our customers are brand-name intimate wear and sporting goods companies, and the majority of our revenue is derived from sales to these customers. Consequently, our business and results of operations are directly affected by the demands for our customers' products. If the sales of our major customers' products developed and manufactured by us decrease or do not grow as we expect, our customers may decrease the quantity or purchase price of their purchase orders, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We depend on a stable and adequate supply of quality raw materials which are subject to price volatility and other risks.

In Fiscal 2013, 2014 and 2015, our costs of raw materials accounted for 42.0%, 42.5% and 40.3%, respectively, of our total revenue over the same periods. As a result, our production volume and production costs depend on our ability to source quality key raw materials at competitive prices. We procure our raw materials mainly from the reputable and large suppliers, and generally do not enter into long-term supply agreements.

If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profit margins may be adversely affected. Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters. The key raw materials of our intimate wear products include polyester, polyamide and spandex. Market prices of these raw materials would be affected by the cyclicity and volatility of prices for crude oil. There was no significant fluctuation on the prices of our key raw materials during the Track Record Period. However, historically our key raw materials experienced fluctuations. Therefore, there is no assurance that our raw material cost will not increase significantly in the future. Our ability to pass increased raw material costs along to our customers may be limited by competitive pressure. We cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations.

Furthermore, we depend on a limited number of key suppliers. During the Track Record Period, we jointly developed new raw materials with well-known suppliers in the intimate wear industry, such as the foam supplier Inoac and fabric suppliers Pacific Textile and Best Pacific, while, at the same time, working with other raw material suppliers such as world-renowned chemical engineering companies Henkel and Bluestar, to develop innovative functional materials and application solutions. Some of these raw materials are provided to us exclusively. Such collaborations differentiate our products from those of our competitors. In Fiscal 2013, 2014 and 2015, purchases from our five largest suppliers accounted for 45.4%, 46.9% and 46.4% of our total purchases, respectively, while our largest supplier for the same periods accounted for 15.7%, 15.4% and 15.0% of our total purchases, respectively. Although we believe that we have a good working relationship with our key suppliers, if our current key suppliers decide to terminate business relationships with us or if the raw materials supplied by our current suppliers fail to meet our standard, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

We may face labor shortages, increases in labor costs and labor disputes which could adversely affect our growth and results of operations.

Our production activities are labor intensive and dependent on the availability of a large number of skilled and unskilled labor. In Fiscal 2013, 2014 and 2015, our employee benefit

RISK FACTORS

expenses included in cost of sales amounted to HK\$762.5 million, HK\$1,058.4 million and HK\$1,156.0 million, respectively, representing 26.3%, 27.8% and 27.6% of our total revenue, respectively. Shortage of labor, inefficient labor management or any labor disputes may result in disruption of our business operations, which may in turn have a material and adverse effect on our business, prospects, financial condition and results of operations. In particular, if we cannot recruit sufficient or sufficiently trained labor for our additional production facilities in Hai Phong, Vietnam, Hai Duong Province, Vietnam and Wujiang, Suzhou, Jiangsu Province, the PRC, our expansion plan and production activities may be negatively affected or even interrupted.

In addition, labor costs in China have been increasing in recent years and our labor costs in the PRC could continue to increase as well. If labor costs in the PRC continue to increase, our production costs will increase which may in turn affect the selling prices of our products. We may not be able to pass on these increased costs to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

A majority of the owned and leased properties at our Shenzhen facility may be subject to legal irregularities.

As of the Latest Practicable Date, we have not obtained required ownership related certificate and/or permits from the local government authorities for a majority of the owned and leased properties at our Shenzhen facility. We refer to these properties collectively as the Shenzhen Guangming Properties. See “Business — Properties” for more details. As advised by our PRC legal advisors, there is a potential risk that the relevant government authorities may deem the leases of the Shenzhen Guangming Properties invalid and those properties may be demolished or forfeited by the government authorities or we may be subject to fines.

Although our PRC legal advisors are of the opinion that we may continue to use the Shenzhen Guangming Properties, we cannot guarantee that the Shenzhen Guangming Properties will not be demolished or forfeited and that we will not be forced to vacate the Shenzhen Guangming Properties. In the event that the Shenzhen Guangming Properties are demolished or forfeited, we will be forced to relocate our operations at our Shenzhen facility. Based on currently available information, we estimate the costs to relocate the Shenzhen Guangming Operations (as defined in “Business — Properties”) to be approximately HK\$19.3 million. In addition, we may incur losses of businesses during the relocation process and may be subject to damages claims from our customers due to delayed delivery of products. Any such relocation could disrupt our operations and materially and adversely affect our business, financial condition, results of operations and growth prospects.

Any disruption of our current production facility could reduce or restrict sales and materially and adversely affect our business.

As of the Latest Practicable Date, we operated one facility in Shenzhen, China, for our production and warehousing. We produce and store our raw materials, work-in-progress and finished products at our production facility. Although we are in the process of establishing additional production facilities in Hai Phong, Vietnam and Hai Duong Province, Vietnam, we currently depend on our Shenzhen facility for the continued operation of our business.

RISK FACTORS

Natural disasters or other unanticipated catastrophic events, including storms, fires, explosions, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying our facility, could significantly impair our ability to manufacture our products and operate our business. In addition, an aggregate GFA of 325,456.22 sq.m. of production facilities, warehouses and offices at our Shenzhen facility are leased properties. Such leases are renewable upon expiration. Our ability to renew existing leases upon their expiry is crucial to our production activities, operations and profitability. At the end of lease terms, if we are unable to negotiate an extension, we may be forced to relocate our operations at our Shenzhen facility. Our facility and equipment would be difficult and costly to replace or relocate on a timely basis. If we experience any unanticipated catastrophic events that force us to shut down our production facility or unable to renew our current leases, our production will be severely disrupted, which may in turn materially and adversely affect our business and results of operations. Catastrophic events could also destroy any inventory located in our production facility. The occurrence of any catastrophic event could result in the temporary or long-term closure of our production facility, severely disrupt our business operations and materially and adversely affect our results of operations and financial condition.

We may not be able to continue to successfully expand our product offerings.

Since our inception, a significant portion of our revenue has been generated from sales of bras and intimate wear. Backed by our comprehensive research and development capabilities accumulated in the production of intimate wear, we have been able to strategically expand into adjacent product areas including the sporting goods industry.

Going forward, to enhance our growth, we plan to continue to expand the range of our product offerings to diversify our product portfolio. Expanding into new product categories requires us to make substantial capital expenditures in new manufacturing facilities and equipment and commit substantial resources to develop new product designs and the technologies required to manufacture new products. Manufacturing new and technologically advanced products is a complex process requiring high levels of innovation and skilled research and development personnel, as well as the accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify, develop and manufacture new products successfully, if at all, or on a timely basis. We also may not be able to develop the underlying core technologies necessary to manufacture these new products, license these technologies from third parties, or become competitive in the market. In addition, we cannot assure you that the new products will be launched on time, or the developed products will be well received by customers and gain market acceptance. If we fail to successfully develop and sell these new products, our results of operations and prospects could be materially and adversely affected.

Any downtime for maintenance and repair of our equipment could lead to business interruptions that could be expensive and harmful to our reputation and to our business.

Our machinery and equipment may be subject to breakdowns. Significant downtime associated with the maintenance and repair of equipment used in our manufacturing facilities will result in temporary interruption of our production. Although we have implemented a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment, the

RISK FACTORS

failure of equipment manufacturers or our team to provide timely repairs on our equipment could interrupt the operation of our production facility for extended periods of time. Such extended downtime could result in lost revenue for us. We may lose customers and may be unable to regain those customers thereafter. As a result, our business and results of operations could be materially and adversely affected.

Our intellectual property rights are critical to our success and failure to protect such intellectual property rights may materially and adversely affect our ability to compete.

Our patents, trade secrets, trademarks and other intellectual property rights are important to our business. As of the Latest Practicable Date, we had a total of 81 issued patents (including 26 in the U.S., 19 in the PRC and 36 in other countries and regions) and 37 pending patent applications. All of our patents relate to our production process and our product design.

In addition, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. We seek to protect our proprietary technologies, production processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. We also require employees and suppliers with access to our proprietary information to execute confidentiality agreements with us. As of the Latest Practicable Date, we were not aware of any material violation or infringement of our patents, trade secrets, trademarks and other intellectual property rights. In addition, our intellectual property rights may not be adequately protected because:

- other parties may still misappropriate our technologies despite the existence of laws or contracts prohibiting it;
- policing unauthorized use of our intellectual property may be difficult, expensive and time consuming, and we may be unable to determine the extent of any unauthorized use;
- enforcement under intellectual property laws in China may be slow and difficult in light of the application of such laws and the uncertainties associated with the PRC legal system; and
- our patents, registered trademarks and trade names may be invalidated, circumvented or challenged either in the PRC or in foreign countries.

To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and our other resources away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties.

RISK FACTORS

We may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigations may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations.

Failure to protect the intellectual property of our customers could harm our business.

Our success depends on our ability to protect the intellectual property of our customers. We cannot assure you that our customers' designs, trademarks, patents and other intellectual property rights that we have access to during the manufacturing process will not be misappropriated despite the stringent precautions that we have taken to protect those rights. As of the Latest Practicable Date, we were not aware of any incident of failure to protect the intellectual property rights of our customers. In the event that our policies and the precautions we have taken do not adequately safeguard our customers' intellectual property rights, our customers could cease sharing their latest designs of product outlook or other work with us and even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the proper operation of our information technology systems, any malfunction of which for extended periods could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We use our advanced information technology platform, which seamlessly integrates the SAP system, Fast React production control system, RFID system, GSD system, QI system and PLM system, to enable us to efficiently and reliably retrieve and analyze our operational, including procurement, sales, inventory, logistics, production, customer and financial, data and information on a real time basis. We use our information technology platform to assist us in planning and managing our production, budgeting, human resources, inventory control, sales management and financial reporting. As a result, our information technology platform is critical for us in monitoring the inventory and sales levels and for our customers to place orders with us. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology systems will always operate without interruption.

RISK FACTORS

Any malfunction to a particular part of our information technology systems may adversely affect our operations and our results of operations. In addition, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of these may have a material and adverse impact on our business, financial situation and results of operations.

Loss of service of our Chairman and other key personnel or any failure to attract and retain necessary talents may materially and adversely affect our business, prospects, financial condition and results of operations.

The success of our business has been and will continue to depend on the continuing service of our key employees. In particular, Mr. Hung, our founder and Chairman, who has over 16 years of experience in the intimate wear manufacture industry, has been pivotal to our success. We rely on his expertise and experience in developing business strategies, product development, business operation and his relationship with customers. If we lose the services of Mr. Hung, we may not be able to find a suitable replacement for him with comparable knowledge and experience, and our business, prospects, financial condition and results of operations may be materially and adversely affected. In addition, members of our senior management team also have extensive industry experience and play a pivotal role in our daily operations and formulating our business strategies. The loss of the services of any of our key executives could have a material and adverse effect on our business and operations.

Our success also depends on our ability to attract and retain talented personnel, in particular, our research and development personnel as well as skilled molding designers. We may not be able to attract or retain all the key personnel we need. We may also need to offer better remuneration and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result. Our failure to attract and retain competent personnel, and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. If this occurs, our business, financial condition and results of operations may be materially and adversely affected.

We may not be successful in expanding our operations, managing our growth effectively or opening our new facilities in a timely manner.

We have experienced significant growth during the Track Record Period. In order to meet growing customer demand for our products, we have in the past few years increased our production capacity and output, and expanded, trained and managed our rapidly growing workforce. In response to this increased demand, we have undertaken to establish an additional three production facilities in Hai Phong, Vietnam and another production facility in Hai Duong Province, Vietnam. We may undertake future expansion projects based on our future business requirements.

The success of our future expansion projects depends on a few factors beyond our control, such as the progress of the construction conducted by the third party construction

RISK FACTORS

company, local laws and regulations and government support, including in the form of tax breaks, the continuing availability of low-cost skilled labor and customer demand for our expanded production capacity. In addition, the integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, cause delays in delivery of customer orders and decrease our production efficiency. Accordingly, we may not be able to achieve in a timely or cost-effective manner the expansion of our operations or the management of our growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our results of operation and prospects.

We may not be able to implement our expansion strategy in Vietnam efficiently.

We are in the process of establishing an additional two production facilities in Hai Phong, Vietnam, and plan to begin constructing another production facility in Hai Phong, Vietnam in 2016. We also plan to establish an additional one production facility in Hai Duong Province, Vietnam. We expect the four Vietnam production facilities to commence production in the first quarter of 2016, the third quarter of 2016, 2017 and 2018, respectively. These additional production facilities in Vietnam will expand our manufacturing capabilities in order to meet our rapid business growth.

Expanding into the Vietnamese market involves uncertainties and challenges as we are less familiar with, among others, local regulatory practices and customs, the reliability of local suppliers, the business practices and the business environment there. See “Business — Production — Production Expansion Plan” for more details on our plan to manage our operations in Vietnam. If we fail to recruit qualified and experienced personnel or successfully manage our Vietnamese operations, our expansion strategy in Vietnam may not generate the cost efficiency and economies of scale that we expect. We cannot assure you that we will be able to effectively and efficiently manage the planned business operations in Vietnam, or integrate our Vietnam operations into our existing operations in a cost effective manner. Any failure to effectively and efficiently manage our Vietnam expansion may materially and adversely affect our ability to capitalize on new business opportunities, to achieve our operational objectives and to further advance our market leading position.

We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system.

In addition to PRC laws and regulations, we are subject to a variety of guidelines imposed by our customers relating to production safety, health and environmental conditions, and our customers require us to implement an internal quality control system to perform various inspections over the course of the entire manufacturing process. In addition, most of our customers require us to comply with specific guidelines based on the U.S., EU and other international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which they sell their products. Although we have been in full compliance with our customers’ stringent quality control requirements, we cannot assure you that our quality control system will continue to be effective. Any significant failure or deterioration of our quality control system in respect of, among other things, our production

RISK FACTORS

process and product inspection, may seriously damage our product quality and have a material adverse effect on our reputation in the market among our existing or prospective customers, which may, in turn, lead to reduced orders or loss of customers in the future, severely harming our business, financial condition and results of operations.

We grant credit terms to our customers and our working capital and cash flow position may be adversely affected if our customers fail to settle or delay in making their payments.

Our financial position and profitability are dependent on the creditworthiness of our customers. Currently, we grant credit terms to our customers ranging from 30 days to 120 days, depending on the past payment history and the length of business relationship with the relevant customers. In Fiscal 2013, 2014 and 2015, our trade and bills receivables were HK\$273.3 million, HK\$471.5 million and HK\$430.7 million, respectively, while our trade and bills receivable turnover days were 30, 36 and 39, respectively. We did not make provisions for bad debt during the Track Record Period pursuant to the HKFRS and our accounting policies. However, there is no assurance that we will not encounter doubtful or bad debts due to a slow-down of industry growth, individual customer's deteriorating financial condition or otherwise in the future. Should we experience any unexpected delay or difficulty in collecting receivables from our customers, our cash flows, financial condition and results of operations may be materially and adversely affected.

We face risks associated with the sale of our products internationally.

A significant portion of our revenue is derived from sales to customers outside the PRC. The sale of our products to international markets exposes us to a number of risks, including when it comes to fluctuations in foreign currency exchange rates; increased costs and difficulty associated with understanding the local market trend in the various countries; costs associated with providing services and support in overseas markets; and failure to obtain or maintain qualifications for our products overseas. Furthermore, there are difficulty and costs relating to compliance with different commercial and legal requirements overseas, including unanticipated changes in prevailing economic conditions and regulatory requirements and trade barriers such as export requirements, tariffs, taxes and other restrictions. Our business in foreign markets requires us to respond timely and effectively to rapid changes in market conditions in the relevant countries and to the above challenges. Any change in one or more of the factors described above may have a material adverse effect on our business, growth prospects, financial condition and results of operations.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. Though we never recall any of our products in the past, in the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Our manufacturing operations are subject to a variety of health and safety laws and regulations.

We are subject to a variety of health and safety laws and regulations imposed by the PRC government. Compliance with existing and future health and safety laws and regulations could subject us to costs or liabilities, including monetary damages and fines; impact our production capabilities; result in suspension of our business operations; and generally impact our financial performance. Although we have not experienced any violations of such health or safety laws and regulations, we cannot assure you that such event will not happen in the future. If we are held

RISK FACTORS

liable for damages in the event of any injury or other violation of applicable health or safety laws or regulations, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

We may not successfully mitigate our exposures to foreign exchange and interest rate fluctuation risks through purchases of derivative financial instruments.

During the Track Record Period, we entered into foreign exchange forward contracts and interest rate swap contracts to mitigate our exposures of the Renminbi against the U.S. dollar and our interest rate risk exposure, respectively. As of March 31, 2013, 2014 and 2015, the notional principal amount of our foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar was US\$14.0 million, US\$63.0 million and US\$34.5 million, respectively, while the notional principal amount of our interest rate swap contracts in respect of fixed interest rate and floating interest rate of HIBOR was HK\$400.0 million, HK\$520.0 million and HK\$520.0 million, respectively.

According to the terms of such foreign exchange forward contracts, a certain amount of money subject to a cap as specified in the contracts will be payable by the bank to the Group or by the Group to the bank on roughly a monthly basis, depending on the exchange rates of Renminbi/U.S. dollar at the various valuation dates specified in each foreign exchange forward contract. In essence, the foreign exchange forward contracts worked in such a way that the more Renminbi appreciates against the U.S. dollar as compared to a pre-agreed exchange rate, the higher the net amount of payment that the Group will receive from the bank; and the more Renminbi depreciates against the U.S. dollar as compared to a pre-agreed exchange rate, the higher the net amount of payment that the Group would be required to pay to the banks. According to the terms of such interest rate swap contracts, the Group and the bank agreed to exchange interest rate cash flows, based on a specified notional amount from a floating interest rate to a fixed interest rate.

During the Track Record Period, we had gains on derivative financial instruments of HK\$18.4 million and HK\$3.2 million in Fiscal 2013 and 2015, respectively, but incurred losses on derivative financial instruments of HK\$49.5 million in Fiscal 2014. If Renminbi depreciates against U.S. dollars substantially or if the interest rate moves in the different direction as we expected in the future, our obligation to pay to the banks under the outstanding foreign exchange forward contracts and interest rate swap contracts may adversely affect our cash flows and financial position.

Our Controlling Shareholders have agreed to indemnify us for any losses we may suffer from settlements of our outstanding foreign exchange forward contracts with the banks on or after April 1, 2015 in excess of the amount of HK\$90.8 million which was recorded as derivative financial instruments — liabilities on our consolidated balance sheet as of March 31, 2015. With respect to our outstanding foreign exchange forward contracts as of March 31, 2015, we have booked an unrealized fair value loss in an aggregate amount of HK\$90.8 million as of March 31, 2015 and such fair value loss may, depending on the relevant foreign exchange rates as of the respective dates of settlement of the outstanding foreign exchange forward contracts, be realized in Fiscal 2016 or thereafter. Any actual loss on settlement of these 13 outstanding foreign exchange forward contracts in Fiscal 2016 and thereafter in the amount of less than HK\$90.8 million will not be recorded as a loss to our consolidated income statements

RISK FACTORS

in Fiscal 2016 and thereafter, and the difference between HK\$90.8 million and the actual loss on settlement (up to HK\$90.8 million) will be reversed and credited as a gain to our consolidated income statements for the corresponding periods. Any actual loss on settlement of these 13 outstanding foreign exchange forward contracts in Fiscal 2016 and thereafter in excess of HK\$90.8 million will be indemnified by our Controlling Shareholders.

For derivative financial instruments that we may purchase in the future, we have implemented and will continue to evaluate and implement internal control measures to evaluate and monitor our purchases of derivative financial instruments. See “Financial Information — Analysis of Selected Consolidated Balance Sheet Items — Derivative financial instruments” for more details. However, there is no assurance we may successfully mitigate our exposures to foreign exchange and interest rate fluctuation risks through purchases of derivative financial instruments in the future.

Our insurance coverage may not be adequate to cover all the risks related to our business and operations.

Our insurance coverage may not adequately protect us against all risks relating to our business and operations. We do not possess certain types of insurance in relation to our business operations, such as environmental damage insurance. No assurance can be given that our operations will be free of accidents. There is no assurance that we will be able to maintain sufficient insurance coverage in the future. As a result, losses incurred as a result of any defective product claim, business interruption, litigation or natural disaster may have a material adverse effect on our business, financial condition and results of operations.

Future strategic alliances or acquisitions could expose us to risks that may have a material and adverse effect on our business, reputation and results of operations.

We may form strategic alliances with other companies in the intimate wear and sporting goods industries in order to enhance our competitive position. Through strategic alliances, we may access our partner’s expertise, skills, resources and knowledge in this new business. Strategic alliances with third parties could expose us to certain risks, including risks associated with sharing information and non-performance or breach of strategic alliance agreements, any of which may adversely affect our business. In addition, if our strategic partner suffers any negative publicity or harm to their reputation due to events unrelated to us, such as violations of applicable laws and regulations, we may also suffer negative publicity or sustain harm to our reputation.

In the future, we may acquire additional businesses that complement our existing businesses and expand our business scale. In addition to constructing additional facilities in Vietnam, our management may also explore the possibilities of establishing other overseas presence. The integration of new businesses or overseas presence may prove to be an expensive and time-consuming procedure. We can offer no assurance that we will be able to successfully integrate the newly acquired businesses and overseas presence or operate the acquired businesses in a profitable manner. Our failure to locate an appropriate acquisition target, to successfully integrate and operate acquired businesses, and to identify substantial liabilities associated with acquired businesses, may materially and adversely impact our operations and profits.

RISK FACTORS

We are subject to risks in relation to transportation services.

We typically adopt FOB Hong Kong as the international trade term. We arrange for delivery of products from our warehouses to Hong Kong ports either through our own delivery team or through third-party logistics services providers. Delivery disruptions to transport operators may occur due to various reasons beyond our control, including transportation bottlenecks, typhoon, flood, earthquakes and other natural disasters and labor strikes, and could lead to delayed or lost deliveries. In addition, our products may face the risk of theft or damage due to any poor handling by us or the logistics companies. If our products are not delivered to Hong Kong ports on time, or are damaged or lost during delivery, we may have to pay compensation to the relevant parties and could lose certain customers as well as suffer harm to our reputation.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

A substantial majority of our business operations are in the PRC and substantially all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasizing market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in the PRC and, in turn, our business.

Adverse developments in PRC's economy or an economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct all of our business and generate all of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 11.4% in 2007 to 7.4% in 2014, and further slowed down to 7.0% in the six months ended June 30, 2015 compared to the same period in 2014. The global economy may continue to deteriorate

RISK FACTORS

in the future and continue to have an adverse impact on PRC's economy. Any significant slowdown in the PRC economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their obligations to us;
- we may not be able to raise additional capital on favorable terms, or at all; and
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC intimate wear and sporting goods industries and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

As such, if PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in the PRC, our operations are principally governed by PRC laws and regulations. However, since 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. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. In addition, 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.

RISK FACTORS

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. We rely on dividends paid by these subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the Enterprise Income Tax Law, or EIT Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Notice of the State Administration of Taxation Regarding

RISK FACTORS

Interpretation and Recognition of Beneficial Owners under Tax Treaties, or Notice 601, which became effective on October 27, 2009, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as “resident enterprises” clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether “de facto management bodies” are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” overseas incorporated enterprises. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise,” we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainties with respect to indirect transfers of equity interests in our PRC subsidiaries by our non-PRC holding companies.

On February 3, 2015, the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (Circular No.7 by State Administration of Taxation in

RISK FACTORS

2015) (or Circular No.7) was promulgated by the PRC State Administration of Taxation, which abolished certain provisions in the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》) (Guoshui Han [2009] Circular No.698) (or Notice No.698) issued by the PRC State Administration of Taxation on December 10, 2009.

When a non-resident enterprise (not including individuals or PRC resident enterprises) transfers the assets (including equity interests) in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfill one of the following conditions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling equity interests of a listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC Taxable Assets, the income from the transfer of such PRC Taxable Assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the Listing is unlikely to be considered to indirectly transfer equity interest or other assets in any of our PRC subsidiaries held by our Company. Although the exemptions above are clarified in Circular No.7, as Circular No. 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular No.7 and the related SAT notices and it remains uncertain whether such exemptions will be applicable to the transfer of our Shares or whether any future acquisition by us outside of the PRC involving PRC Taxable Assets will be reclassified by applying Circular No.7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities. Any such outcome could have a material adverse effect on our business, financial condition, results of operations and prospects.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

Some of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (關於內地

RISK FACTORS

與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) are met. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Fluctuations in the value of the Renminbi and the PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

We mainly operate in Hong Kong and the PRC and most of our operating expenses are denominated in Renminbi while most of our sales are denominated and settled in U.S. dollars. In addition, the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Therefore, fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar may affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 the Renminbi traded within a narrow range against the U.S. Dollar. In June 2010 the People's Bank of China announced the removal of the de facto peg. Following this announcement, the Renminbi has appreciated from approximately RMB6.83 per U.S. Dollar to RMB6.12 per U.S. Dollar as of June 15, 2015. On August 11, 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and Renminbi depreciated against the U.S. dollar by approximately 1.9% during that date. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong Dollar or the U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

RISK FACTORS

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

If we finance our PRC subsidiaries through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities are required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart. On March 30, 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on self-discretionary basis, but shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises. A foreign-invested enterprise with equity investments as main business can use the RMB capital converted for equity investments within the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to our PRC subsidiaries and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

The enforcement of the PRC labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the PRC Labor Contract Law, or the Labor Contract law, effective in January 2008 and amended in July 2013, and its implementation rules that became effective in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the "**labor-related laws and regulations**")

RISK FACTORS

are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of sales will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the Chinese government to control inflation may also slow economic activity in the PRC and materially reduce demand for our products as well as materially decrease our revenue growth as well as profitability.

We face risks of health epidemics and other natural disasters, which could severely disrupt our business operations.

Our business could be affected by the outbreak of H1N1, or the swine flu, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. Beginning in 2013, there were reports of outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in various parts of the PRC. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economy and financial markets of the PRC. Additionally, any recurrence of SARS, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries and regions, would also have similar adverse effects. Such disruptions could materially disrupt our business operations and materially reduce earnings.

Our operations are also vulnerable to natural disasters or other catastrophic events, including wars, terrorist attacks, snowstorms, earthquakes, typhoons, fire, floods, power failures and shortages, water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. If any natural disaster or catastrophic event were to strike in the future in China, especially in the areas where our operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Global Coordinator on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the Global Offering.

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the intimate wear manufacture or sports goods manufacture industries;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, the PRC and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

RISK FACTORS

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when the trading commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible book value per Share prior to the Global Offering. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities in the future under our Share Option Scheme or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have declared interim dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information — Dividends and Dividend Policy" for more details of our dividend policy.

RISK FACTORS

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately upon completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will own approximately 75% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always align with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six and 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in "Underwriting". Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Facts and statistics in this prospectus relating to the PRC economy and the industry in which we operate may not be fully reliable.

Facts and statistics in this prospectus relating to China and the industry in which we operate, including those relating to the PRC economy and the intimate wear industry in China, are derived from various publications of governmental agencies or independent third parties which we believe are reliable. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this 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 in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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 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. No person is authorized to give any information in connection with the Global Offering 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 authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and 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 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF 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 and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes 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 authorized 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon the exercise of the options which may be granted under the Share Option Scheme).

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on October 8, 2015. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 2199.

SHARES WILL BE ELIGIBLE FOR ADMISSION 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 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.

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 to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

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

Dealings in our Shares registered on our Hong Kong register 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).

EXCHANGE RATE CONVERSION

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise specified, (i) the translations between Renminbi and HK dollars were made at the rate of

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HK\$1.00 to RMB0.82, and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.75 to US\$1.00. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

ROUNDING

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.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
HUNG Yau Lit (洪游歷) (also known as YY Hung (洪游奕))	House 20, Mount Beacon 20 Cornwall Street Kowloon Tong Hong Kong	Chinese
YIU Kar Chun Antony (姚嘉駿)	Flat D, 22/F, Block 12 City Garden 233 Electric Road, North Point Hong Kong	Chinese
LIU Zhenqiang (劉震強)	Room 32D, No. 5 Building Yujing Dongfang, Baishizhou Nanshan District, Shenzhen Guangdong Province PRC	Chinese
CHEN Zhiping (陳志平)	Room 15B, No. 6 Building Haiyi East Garden Gaoxin South 10th Road Nanshan District Shenzhen Guangdong Province PRC	Chinese
SZE Shui Ling (施穗玲)	Flat G, 15/F Tower 20 Laguna Verde 8 Laguna Verde Avenue Hung Hom Hong Kong	Chinese
<i>Independent Non-Executive Directors</i>		
OR Ching Fai (柯清輝)	Room A, 25/F, Block 10 Provident Centre, 41 Wharf Road North Point Hong Kong	Chinese
TO WONG Wing Yue Annie (陶王永愉)	Flat A, 10/F Block 2, Flora Garden 7 Chun Fai Road Tai Hang Hong Kong	British
TAM Laiman (譚麗文)	Flat A, 3/F Block 7, Cavendish Heights 33 Perkins Road Jardine's Lookout Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Further information about the Directors and other senior management members are set out in the section headed “Directors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor and Sole Global
Coordinator**

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:
Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law:
Deheng Law Offices (Shenzhen)
Storey 11, Section B Anlian Plaza
No. 4018 Jintian Road, Futian District
Shenzhen, PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Vietnam law:</i> Vietnam International Law Firm Kumho Asiana Plaza Saigon Suite 4.4–4.6 39 Le Duan St, District 1 Ho Chi Minh City Vietnam</p>
<p>Legal Advisors to the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and the Underwriters</p>	<p><i>As to Hong Kong and U.S. laws:</i> Sullivan & Cromwell 28th Floor Nine Queen’s Road Central Hong Kong</p>
	<p><i>As to PRC law:</i> Fangda Partners 27/F, North Tower, Beijing Kerry Centre 1 Guanghua Road, Chaoyang District Beijing, PRC</p>
<p>Auditor and Reporting Accountant</p>	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince’s Building Central Hong Kong</p>
<p>Industry Consultant</p>	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suit 2802–2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai, PRC</p>
<p>Compliance Advisor</p>	<p>Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong</p>
<p>Receiving Banks</p>	<p>Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong</p> <p>Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business and Head Office in Hong Kong	10th Floor, Tower A Regent Centre 63 Wo Yi Hop Road Kwai Chung Hong Kong
Company's Website	<u>www.reginamiracleholdings.com</u> <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	LAW Kwan Chuen (羅鈞全), ACIS, ACS
Authorized Representatives	YIU Kar Chun Antony (姚嘉駿) Flat D, 22/F, Block 12 City Garden 233 Electric Road, North Point Hong Kong LAW Kwan Chuen (羅鈞全) Room 1207, Block 26 Heng Fa Chuen Hong Kong
Audit Committee	OR Ching Fai (柯清輝) (<i>Chairman</i>) TO WONG Wing Yue Annie (陶王永愉) TAM Laiman (譚麗文)
Remuneration Committee	TO WONG Wing Yue Annie (陶王永愉) (<i>Chairman</i>) HUNG Yau Lit (洪游歷) (also known as YY Hung (洪游奕)) TAM Laiman (譚麗文)
Nomination Committee	HUNG Yau Lit (洪游歷) (also known as YY Hung (洪游奕)) (<i>Chairman</i>) TO WONG Wing Yue Annie (陶王永愉) TAM Laiman (譚麗文)

CORPORATE INFORMATION

Principal Share Registrar	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 32/F, 4-4A Des Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower, 1 Garden Road Central Hong Kong China Construction Bank (Asia) Corporation Limited 28/F, CCB Tower, 3 Connaught Road Central Central Hong Kong Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that the sources of the information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy or completeness. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct an analysis of, and to report on the global intimate wear industry from 2009. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan a fee of RMB850,000 for the preparation of the report, which we consider in line with market rates. Founded in 1961, Frost & Sullivan and its affiliates have 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training.

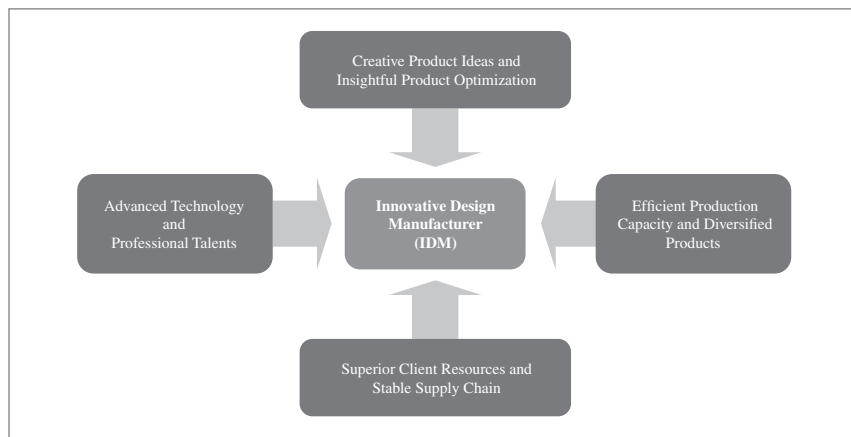
The Frost & Sullivan Report that we commissioned includes information on the global intimate wear industry and its sub-segments and other market and economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through (i) researching diverse markets in different life cycles; (ii) referencing to publications and reports; (iii) focusing on challenges, problems, and the needs of industry participants; (iv) relying on primary market research; (v) focusing on detailed, comprehensive, "bottom-up" data collection techniques; and (vi) utilizing systematic measurements. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the global economy is likely to maintain a steady growth in the next decade; (ii) the global social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the intimate wear industry; and (iii) there will be no wars or large scale disasters during the forecast period.

Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

THE IDM MODEL

With continuous development of the intimate wear manufacture market, a new business model under the IDM concept has emerged and rapidly spearheaded the intimate wear industry. According to the Frost & Sullivan Report, this new business model is superior to the traditional OEM and ODM business models. It focuses on the overall industry value chain including every stage of developing and producing products and covers the interaction between early stages such as conceptualizing the products and designing the specifications and later stages such as research and development and production. In the overall intimate wear industry, the Group has been a pioneer in the area of IDM.

The following chart sets forth the Group's unique market positioning as an IDM company.



Barriers to Entry into the Intimate Wear IDM Market

According to the Frost & Sullivan Report, the major barriers to entry into the intimate wear IDM market include sophisticated supply network, market insight, industry know-how, long-standing relationships with customers, significant research and development expenses and labor cost and professional talents.

Growth Drivers and Trend of the Intimate Wear IDM Market

According to the Frost & Sullivan Report, the key growth drivers of the intimate wear IDM market include the following:

- *Increasing demand for high value-added products.* With rising standards of living and consumption upgrades, consumers nowadays pursue a better quality lifestyle by having higher requirements on product quality and functionality. Accordingly, manufacturers are more focused on the design, research and development of products.
- *Gradual integration of the industry value chain.* Ever-evolving and continually growing demand from branded owners and end-consumers has posed certain limitations for traditional OEMs or ODMs. In response to this situation and to expand business scope, the IDM business model has emerged with an aim to integrating the overall industry value chain.

INDUSTRY OVERVIEW

- *Fierce market competition.* With the intimate wear manufacture market getting much more mature, the competition is not confined in production price and efficiency. Amid the intensive competition, certain leading intimate wear manufacturers have developed the IDM business model to gain a larger market share thanks to their extensive manufacturing experience and thorough market knowledge.

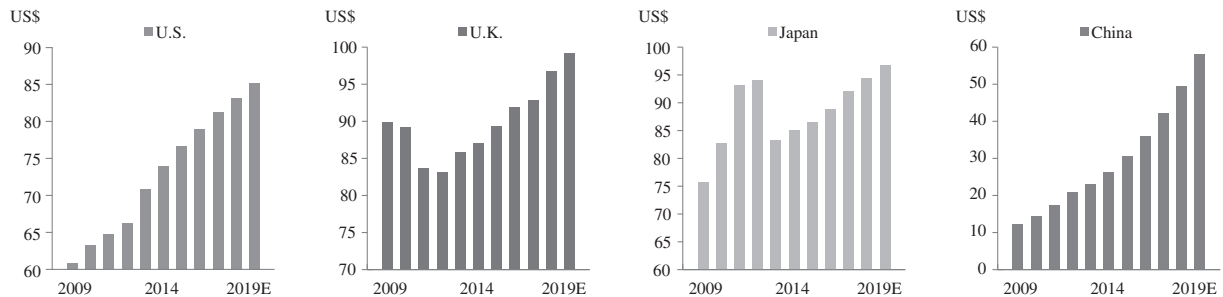
According to the Frost & Sullivan Report, the IDM market is still in an early stage of development. However, given the limitations of traditional OEM and ODM business models in the areas of innovation, research and development, the emerging IDM business model is expected to gradually overtake the traditional OEM and ODM business models.

GROWTH OF THE GLOBAL ECONOMY

As the world's largest national economy, the U.S. achieved nominal GDP of US\$17,418.3 billion in 2014 and its nominal GDP is expected to steadily grow at a rate of 3.6% in the next five years. On the other hand, the nominal GDP of major European countries and Japan had slight fluctuations in the past few years, but the economic power and purchasing power in those countries are still strong and continuously strengthened.

Consumer Expenditure on Intimate Wear

Consumers in developed countries typically spend more on intimate wear products compared to developing countries. For instance, in 2014, consumers in the U.S., U.K. and Japan spent an average of US\$73.9, US\$87.1 and US\$85.0 on intimate wear, respectively, whereas Chinese consumers on average spent only US\$26.4 on intimate wear. The following chart sets forth actual and estimated per capita consumption expenditure on intimate wear by country for the periods indicated.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Consumer Expenditure on Sports Footwear

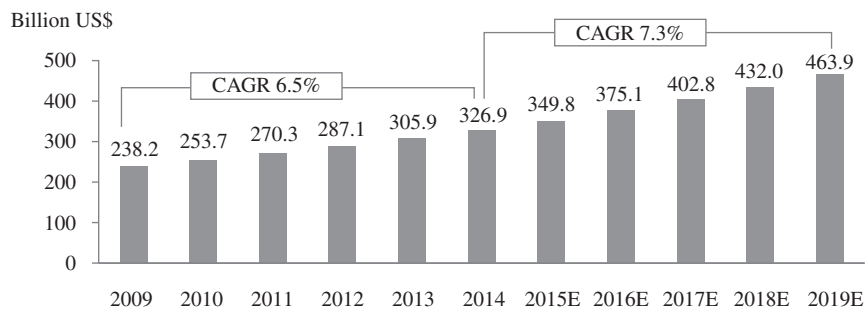
From 2009 to 2014, the global per capita expenditure on sports footwear increased steadily from US\$9.1 to US\$12.6, representing a CAGR of 6.7%, and is expected to grow at a CAGR of 8.3% from 2014 to 2019, which demonstrates a faster growing trend.

OVERVIEW OF THE GLOBAL INTIMATE WEAR MARKET

Intimate wear, also known as undergarment, refers to a kind of clothing that people wear close to skin or under other clothes. It is generally made of cotton, viscose staple fiber, polyester, polyamide, acrylic, spandex and others. Intimate wear products can be divided into several categories including bra, panties, intimate sportswear and others.

Market Size and Growth of the Global Intimate Wear Industry

From 2009 to 2014, the total retail sales value of the global intimate wear industry increased from US\$238.2 billion to US\$326.9 billion, representing a CAGR of 6.5% during the same period. It is estimated that the total retail sales value of the global intimate wear industry will reach US\$463.9 billion by 2019, representing a CAGR of 7.3% from 2014 to 2019. The following chart sets forth actual and estimated total retail sales value of the global intimate wear industry for the periods indicated.



Source: Frost & Sullivan

The PRC is the largest market for intimate wear products in terms of total retail sales value in 2014, followed by the U.S. and Japan. The total retail sales value of intimate wear products in the PRC has increased rapidly in the past years and is expected to grow at a similar rate for the next few years, according to Frost & Sullivan.

The mass market is the largest and fastest-growing segment in the bra market, a major sub-category of intimate wear products. From 2009 to 2014, the mass market has experienced significant growth. In terms of total retail sales value of bras, the market share of the mass market increased from 39.2% to 45.1%, representing a CAGR of 10.3% during the same period. The average price of bras in the mass market typically ranges from US\$10 to US\$65, being the upper price limit for the low-end market and lower price limit for the high-end market. In light of a large consumer base and an increasing demand, the mass market is expected to reach a market share of 53.1% by the end of 2019. The Company has focused on the mass market which offers attractive opportunities for rapid development in the future. The following chart sets forth

INDUSTRY OVERVIEW

actual and estimated total retail sales value of bra products (including sports bras) by target market for the periods indicated.

<u>Target Markets</u>	<u>2009</u>	<u>2014</u>	<u>2019E</u>	<u>2009–2014 CAGR</u>	<u>2014–2019E CAGR</u>
	(Billion US\$)				
Low-end Market ⁽¹⁾	21.2	26.9	33.0	4.9%	4.2%
Mass Market ⁽²⁾	23.9	39.1	68.0	10.3%	11.7%
High-end Market ⁽³⁾	15.9	20.6	27.1	5.3%	5.6%
Total Retail Sales Value . .	61.0	86.6	128.1	7.3%	8.1%

Notes:

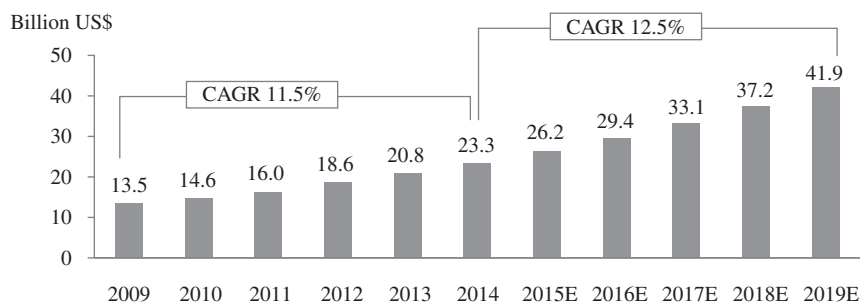
- (1) Refers to the bra market with a lower average selling price than the mass market.
- (2) Refers to the bra market with an average price range of US\$10 to US\$65.
- (3) Refers to the bra market with a higher average selling price than the mass market.

Source: Frost & Sullivan

Market Size and Growth of the Global Sports Intimate Wear Market

Sports intimate wear is a sub-category of intimate wear which can be worn in public places during physical exercise, dancing or other sports activities. Sports intimate wear products include sports bras, sport panties, sports leggings, sports tights, sports socks and others. Sports intimate wear products are typically designed to provide comfort and protection to consumers during sports activities.

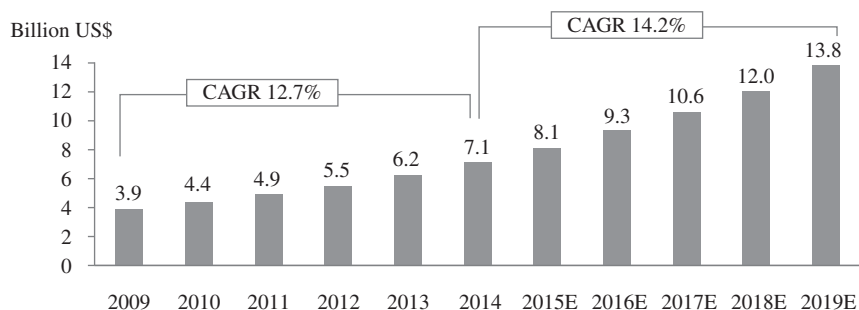
As increasing attention is paid on comfort and performance during sports activities, more and more athletes and sports enthusiasts choose to purchase functional sports intimate wear, such as sports bras. In terms of total retail sales value, the global sports intimate wear market grew at a CAGR of 11.5% from 2009 to 2014 and is expected to grow at a CAGR of 12.5% from 2014 to 2019. The following chart sets forth actual and estimated total retail sales value of the global sports intimate wear market for the periods indicated.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

With increasing health awareness and higher expectations of the functional sportswear, the demand for comfortable sports intimate wear has continuously risen, which in turn stimulated the growth of the global sports bra market. From 2009 to 2014, the total retail sales value of the global sports bra market demonstrated a rapid growth with a CAGR of 12.7%. It is expected that the market will continue to grow at a CAGR of 14.2% from 2014 to 2019. The following chart sets forth actual and estimated retail sales value of the global sports bra market for the periods indicated.



Source: Frost & Sullivan

Major Brand Owners in the Intimate Wear Market

The following table sets forth the major brand owners, their retail sales value and market share in the intimate wear market in 2014:

Country	Company	Retail Sales Value (Million US\$)	Market Share in 2014
U.S.	1. L Brands Inc.	• 4,540.8	• 19.2%
	2. Hanesbrands Inc.	• 2,707.5	• 11.5%
	3. PVH Corp.	• 2,301.2	• 9.8%
U.K.	1. Marks & Spencer PLC	• 1,549.5	• 27.7%
	2. Debenhams PLC	• 279.1	• 5.0%
	3. Gold Group International	• 273.0	• 4.9%
Japan	1. Wacoal Holdings Corp.	• 1,060.4	• 9.8%
	2. Gunze Ltd.	• 655.3	• 6.1%
	3. Fast Retailing Co., Ltd.	• 515.1	• 4.8%

Source: Frost & Sullivan

We have a long-standing relationship with leading players in the intimate wear market. As shown in the above table, the leading brand owners in the U.S., UK and Japanese intimate wear markets include L Brands Inc., Hanesbrands Inc., PVH Corp., Marks & Spencer PLC and Wacoal Holdings Corp. All of these companies are our customers. In particular, in the U.S. market, L Brands Inc., Hanesbrands Inc. and PVH Corp. together accounted for 40.5% of the market share based on the retail sales value in 2014.

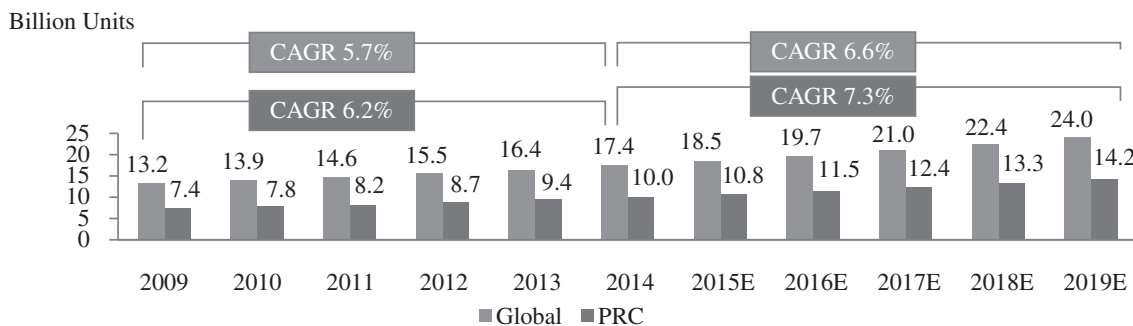
OVERVIEW OF THE GLOBAL INTIMATE WEAR MANUFACTURING MARKET

An intimate wear manufacturer typically provides manufacturing services with self-running factories and transforms raw materials into finished goods. In addition to manufacturing, some manufacturers are also responsible for the design of intimate wear.

The industry value chain of the intimate wear market has several different stages, from early stages such as idea conception, product design and research and development to later stages such as manufacturing, branding and sales. According to the Frost & Sullivan Report, the development process of the intimate wear manufacturing market can be divided into three stages, namely, the initial, growth and mature stages. Those manufacturers who make components or products as specified by a certain brand owner that are then branded and marketed by the brand owner are OEMs. Others who design and manufacture their own products are ODMs. The products created by ODMs are eventually sold to different companies with slight modifications and rebranded accordingly. The concept of OEM and ODM was invented during the initial stage. According to Frost & Sullivan, the intimate wear manufacturing market is expected to step into the mature stage in 2025. During this phase, the manufacturers are likely to pay higher attention to research and development, quality control and communications and feedback.

Market Size and Growth of the Intimate Wear Manufacturing Market

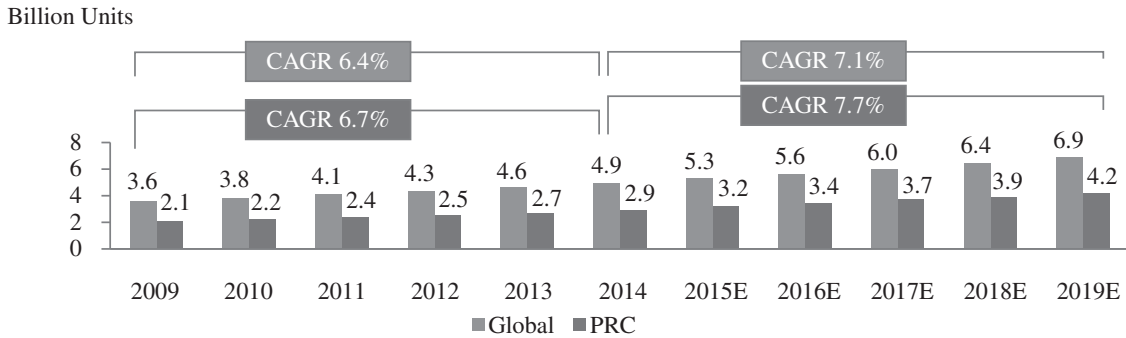
From 2009 to 2014, in terms of production volume, the global intimate wear manufacturing market grew from 13.2 billion units to 17.4 billion units, representing a CAGR of 5.7% during the period. The global intimate wear manufacturing market, in terms of production volume, is expected to grow at a CAGR of 6.6% in the upcoming five years. The production volume of intimate wear products in the PRC has also increased at a CAGR of 6.2% from 2009 to 2014 and is expected to increase at a CAGR of 7.3% from 2014 to 2019. The following chart sets forth actual and estimated production volume of intimate wear products in the global and PRC intimate wear manufacture markets for the periods indicated.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The bra manufacture market has also experienced a significant growth in the production volume. The global production volume of bras increased from 3.6 billion units in 2009 to 4.9 billion units in 2014, representing a CAGR of 6.4% from 2009 to 2014. The global production volume of bras is expected to reach 6.9 billion units, representing a CAGR of 7.1%, from 2014 to 2019. The production volume of bras in the PRC is expected to reach 4.2 billion units by 2019 at a CAGR of 7.7% from 2014 to 2019. The following chart sets forth actual and estimated production volume of bras (including sports bras) globally and in the PRC for the periods indicated.

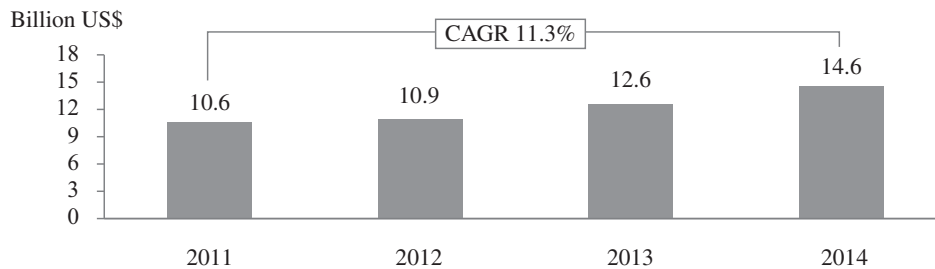


Source: Frost & Sullivan

PRC as a Leading Exporter of Intimate Wear Products

The PRC has become one of the leading exporters of intimate wear products in recent years due to its competitive labor force, well-developed supply chain and rich manufacturing experience. From 2011 to 2014, PRC's export volume of intimate wear products increased from 8.6 billion units to 10.8 billion units, while its export value of intimate wear products increased from US\$10.6 billion to US\$14.6 billion. The higher growth of export value as compared with the export volume indicates that Chinese manufacturers have been able to charge higher prices by offering value-added services. From 2011 to 2014, PRC's export volume of intimate wear to the U.S. and U.K. increased at a CAGR of 8.4% and 14.5%, respectively.

The following chart sets forth PRC's export value of intimate wear for the periods indicated.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive Landscape of the Global Bra Manufacturing Industry

In 2014, the Group was the industry's number one bra manufacture company globally in terms of bra production volume with a market share of approximately 1.0%. The following chart sets forth the production volume and the market share of the top four bra manufacturers globally in 2014.

		Bra Production Volume (Million)	Market Share* (%)
1	Regina Miracle	48.2	1.0
2	A Company	45.1	0.9
3	B Company	41.8	0.8
4	C Company	39.8	0.8
	Total Production Volume	174.9	3.5
	Overall Global Production Volume (2014)	4,920.0	100.0

* Include sports bras.

Source: Frost & Sullivan

Growth Drivers and Trend of the Intimate Wear Manufacturing Market

According to the Frost & Sullivan Report, the key growth drivers of the PRC intimate wear manufacturing market include the following:

- *Macroeconomy.* PRC's rapid and stable economic development has created favorable conditions for the development of the textile manufacturing industry, which further drives the growth of the intimate wear manufacturing market.
- *Increasing consumer demand.* With rising standards of living, purchasing power and health awareness, demand for products with higher quality is expected to increase.
- *Improved research and development capabilities and vertical integration.* Advanced manufacturing technologies have led to the improvement of production efficiency and product quality, allowing intimate wear manufacture companies to shorten development period and ensure product standardization. In addition, vertical integration of different segments of the industry value chain from product concept design to sales has granted significant competitive advantages to manufacture companies in the intimate wear industry.
- *Regulations.* PRC's government has implemented a number of policies with an aim to promoting the development of the clothing industry which has also contributed to the growth of the domestic intimate wear manufacturing companies.

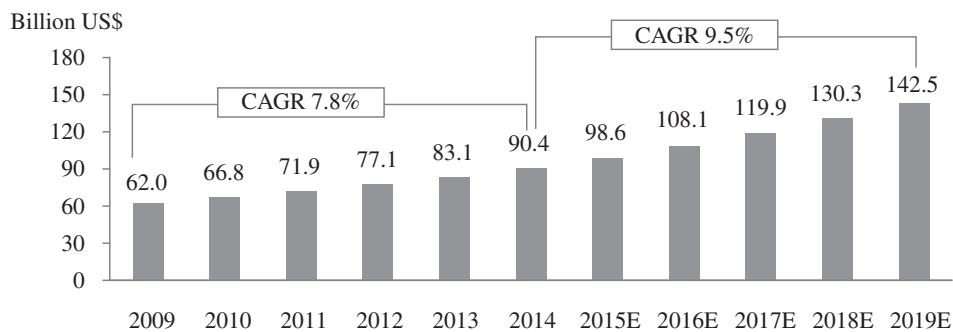
INDUSTRY OVERVIEW

In addition, according to the Frost & Sullivan Report, intimate wear manufacturing companies continue to strengthen their competitiveness through vertical integration. They also seek to diversify their product offerings to target consumer groups of different age ranges, genders and consumption propensity. With wearable technology becoming more popular, there is a trend of incorporating electronic technologies in the intimate wear industry. As a result of consumption upgrade and fierce competition, intimate wear manufacture companies are expected to improve their research and development capabilities and build brand awareness, which in turn may lead to higher market concentration in the future.

INDUSTRY TREND OF THE SPORTS FOOTWEAR MARKET

Market Size and Growth of the Sports Footwear Market

The total retail sales value of the global sports footwear market increased from US\$62.0 billion in 2009 to US\$90.4 billion in 2014, representing a CAGR of 7.8%, and is expected to reach US\$142.5 billion in 2019. The U.S. sports footwear market, in terms of total retail sales value, grew steadily from US\$15.0 billion in 2009 to US\$20.2 billion in 2014, representing a CAGR of 6.1%. In contrast, the PRC sports footwear market grew at a faster rate of a CAGR of 12.4% from 2009 to 2014 and is predicted to reach a global market share of 19.6% in 2019. The following chart sets forth actual and estimated total retail sales value of the global sports footwear market for the periods indicated.



Source: Frost & Sullivan

Affordable pricing is one of the key factors driving the rapid growth of the mass market. The average price of sports footwear in the mass market typically ranges from US\$30 to US\$90. As a result of the increased demand and intensified competition, from 2009 to 2014, in terms of total retail sales value of sports footwear, the market share of the mass market increased from 43.7% to 52.8% at a CAGR of 12.0% from 2009 to 2014. The mass market of the global sports footwear industry is expected to grow at a CAGR of 14.4% from 2014 to 2019, reaching a market share of 65.6% by the end of 2019. The following table sets forth the global retail sales value of sports footwear by target market.

INDUSTRY OVERVIEW

Target Markets	2009	2014	2019E	2009–2014 CAGR	2014–2019E CAGR
	(Billion US\$)				
Low-end Market ⁽¹⁾	21.1	24.7	27.2	3.1%	2.0%
Mass Market ⁽²⁾	27.1	47.7	93.5	12.0%	14.4%
High-end Market ⁽³⁾	13.8	18.0	21.8	5.5%	3.9%
Total Retail Sales Value . .	62.0	90.4	142.5	7.8%	9.5%

Notes:

- (1) Refers to the sports footwear market with a lower average selling price than the mass market.
- (2) Refers to the sports footwear market with an average price range of US\$30 to US\$90.
- (3) Refers to the sports footwear market with a higher average selling price than the mass market.

Source: Frost & Sullivan

Market Size and Growth of the Sports Footwear Manufacturing Market

In terms of production volume, the global sports footwear manufacturing market grew from 2,470.1 million pairs in 2009 to 3,267.3 million pairs in 2014 at a CAGR of 5.8% and is expected to grow at a CAGR of 7.1%, reaching 4,601.8 million pairs in 2019. The PRC sports footwear manufacturing market has also been growing rapidly in the past five years and has a great prospect. According to Frost & Sullivan Report, 1,222.0 million pairs of sports footwear are expected to be produced in the PRC in 2019.

PRC as the Leading Exporter of Sports Footwear Products

Compared with sports footwear manufacturers in other countries and areas, such as Vietnam, Thailand and Africa, sports footwear manufacturers in the PRC have enjoyed several competitive advantages, including larger economies of scale and superior design and innovation capabilities because the PRC was one of the first few countries to enter into the ODM market and, since then, sports footwear manufacturers in the PRC have continuously devoted substantial resources to research and development.

The PRC has a large volume of production and exports in the global sports footwear market. With the recovery of the global economy, the PRC exported 144.0 million pairs of sports footwear with the total export value of US\$2.3 billion in 2013. In 2014, the total export value of sports footwear in the PRC increased to US\$2.4 billion, while the total export volume of sports footwear decreased to 135.9 million pairs. This indicates a gradual increase in the average export price of sports footwear and a relatively stronger bargaining power of the PRC footwear manufacturers against brand companies.

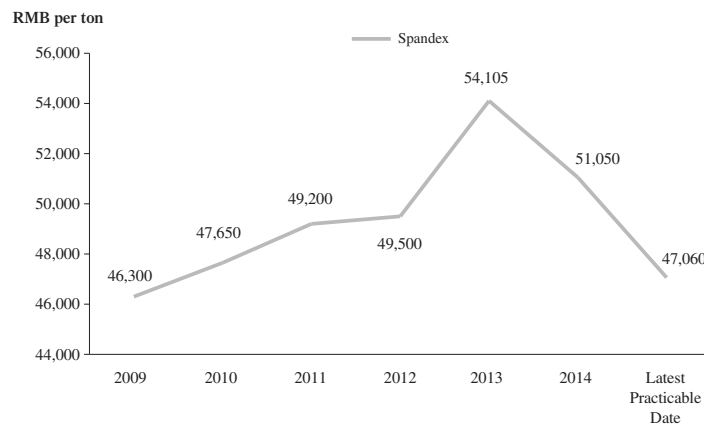
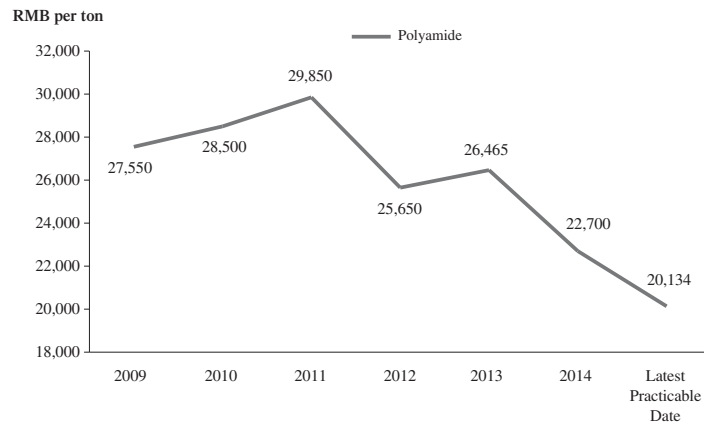
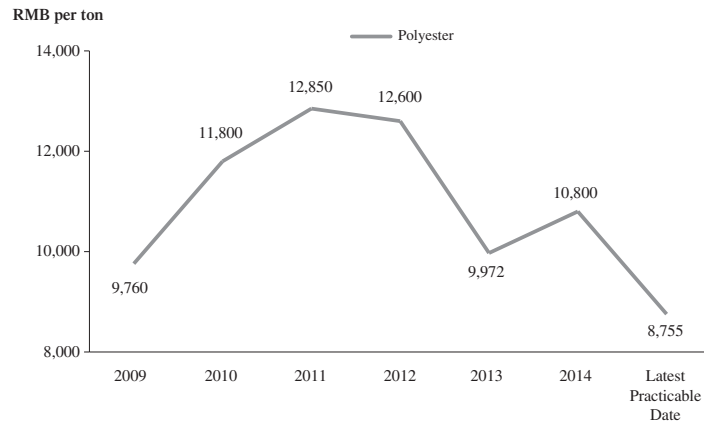
Our Competitive Advantages

For our competitive advantages, please see “Business — Our Competitive Strengths” for more details.

INDUSTRY OVERVIEW

RAW MATERIAL ANALYSIS

The major raw materials of our intimate wear products include polyester, polyamide and spandex. The fluctuation of cost of raw materials directly affects intimate wear companies' cost structure and product pricing. According to the Frost & Sullivan Report, raw material costs for intimate wear will see much less fluctuations in the future as a result of a stable supply and demand of these raw materials. The following chart sets forth historical prices of major raw materials for intimate wear in the PRC for the periods indicated:



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The price of polyester, a major raw material for intimate wear, fluctuated between RMB9,760 per ton and RMB10,800 per ton during 2009 and 2014. The average price of polyester decreased to RMB8,755 per ton as of the Latest Practicable Date.

The price of polyamide decreased from RMB29,850 per ton in 2011 to RMB22,700 per ton in 2014 due to weak demand for polyamide. The average price of polyamide decreased to RMB20,134 per ton as of the Latest Practicable Date.

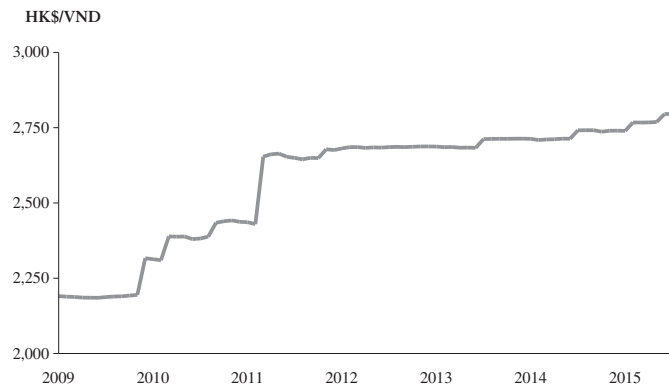
The price of spandex slightly increased from RMB46,300 per ton in 2009 to RMB51,050 per ton in 2014. The average price of spandex slightly decreased to RMB47,060 per ton as of the Latest Practicable Date.

The following chart sets forth the historical U.S. dollars/Renminbi exchange rate fluctuations for the periods indicated.



Source: People's Bank of China

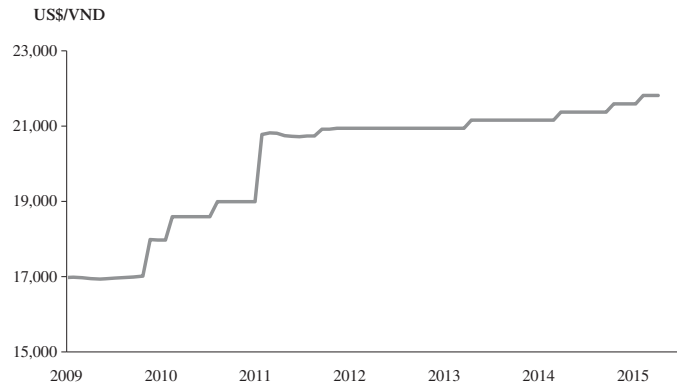
The following chart sets forth the historical Hong Kong dollar/Vietnamese Dong exchange rate fluctuations for the periods indicated.



Source: State Bank of Vietnam, Hong Kong Monetary Authority

INDUSTRY OVERVIEW

The following chart sets forth the historical U.S. dollars/Vietnamese Dong exchange rate fluctuations for the periods indicated.



Source: State Bank of Vietnam

See “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Our ability to control production costs” for details of analysis of the impact of changes in raw material prices on our results of operations and “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Fluctuations in foreign currency exchange rates” for details of analysis of the impact of currency exchange rate fluctuations on our business.

REGULATORY OVERVIEW

This section sets out the summary of major laws and regulations of the PRC and Vietnam in certain aspects related to our business and operation. As this section is only a summary, it does not contain the detailed analysis of the Chinese and Vietnamese laws related to our business and operation.

PRC REGULATORY OVERVIEW

Relevant Laws and Regulations on Incorporation, Operation and Management of Wholly Foreign-Owned Enterprises

The establishment requirements, approval procedures, daily operation and other relevant matters of a wholly foreign-owned enterprise shall be subject to of the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) promulgated by the SCNPC on April 12, 1986 with effect from the same date and subsequently amended on October 31, 2000, as well as the Rules for the Implementation of the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》) promulgated by the Ministry of Foreign Economic Relation and Trade (the predecessor of the Ministry of Commerce) on December 12, 1990 and subsequently amended by the State Council on April 12, 2001 and February 19, 2014.

Except provided otherwise by relevant laws or regulations on foreign investment, the incorporation, operation and management of a company established in the PRC shall be subject to the Company Law of the People's Republic of China (《中華人民共和國公司法》, the “**Company Law**”) promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”) on December 29, 1993, became effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013.

Any investment activities conducted by foreign investors in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》, the “**Guidance Catalogue**”), the latest version of which was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on March 10, 2015 and came into effect on April 10, 2015. The Guidance Catalogue divides the industries for foreign investment into three categories: (i) Encouraged Category, (ii) Restrained Category, and (iii) Prohibited Category. Except otherwise restricted by applicable PRC laws or regulations, foreign investors are permitted to invest in the industries that fall into the Permitted Category, i.e., the industries not listed in the Guidance Catalogue.

Relevant Laws and Regulations against Unfair Competition

According to the Law of the People's Republic of China against Unfair Competition (《中華人民共和國反不正當競爭法》, the “**Anti-Unfair Competition Law**”) promulgated by the SCNPC on September 2, 1993 with effect from December 1, 1993, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, price dumping, illegitimate premium sale and commercial libel.

Any operators who violate the Anti-Unfair Competition Law by engaging in the foregoing unfair competitive activities shall be ordered to cease such illegal activities, eliminate

the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators. For severe cases, their business licenses may be revoked. Such operators may even be prosecuted if the illegal activities constitute crime.

Relevant Laws and Regulations on Product Quality and Consumer Protection

Product Quality

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the “**Product Quality Law**”) promulgated by the SCNPC on February 22, 1993 with effect from September 1, 1993 and subsequently amended on July 8, 2000, the manufacturers shall be held responsible for the quality of their products and the sellers shall take measures to maintain the quality of the products they sell.

Any manufactures or sellers who violate the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license, and (ii) criminal liabilities if the illegal activity constitutes crime.

Protection of Consumers' Rights and Interests

According to the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》), the “**Consumers Protection Law**”) promulgated by the SCNPC on October 31, 1993 with effect from January 1, 1994 and subsequently amended on August 27, 2009 and October 25, 2013, operators providing commodities or services for consumers shall observe social morality, operate in good faith, and safeguard the consumers' lawful rights and interests.

Under the Consumers Protection Law, operators are required to ensure that the products produced and sold meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to various penalties, including suspension of production and sale, confiscation of the products and illegal earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities.

Tort Liability

According to the Law of the People's Republic of China on Tort Liability (《中華人民共和國侵權責任法》) promulgated by the SCNPC on December 26, 2009 with effect from July 1, 2010, in the event of damage arising from a defective product, the infringer may seek compensation from either the manufacturer or seller of such product. If the damage is caused by the inherent defects of the products, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

Relevant Laws and Regulations on Environmental Protection

According to the Law of the People's Republic of China on Environmental Protection (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 with effect from the same date and subsequently amended on April 24, 2014, the Environmental Protection Administrative Department of the State Council is empowered to formulate the environmental quality standards and pollutant discharge standards of the PRC at national level. The provincial, autonomous and municipal people's governments, subject to report for record to the Environmental Protection Administrative Department of the State Council, may formulate local environmental quality standards and pollutant discharge standards for the subjects not yet regulated under the respective national standards and may formulate stricter standards for the subjects regulated under existing national standards. Enterprises shall comply with both national and local standards.

According to the Law of the People's Republic of China on Evaluation of Environmental Effects (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and implemented on September 1, 2003, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 with effect on the same date, and the Administrative Measures for Acceptance upon Completion of Construction Project Environmental Protection (《建設項目竣工環境保護驗收管理辦法》) promulgated on December 27, 2001 and implemented on February 1, 2002 by the State Environmental Protection Administration (the predecessor of the Ministry of Environmental Protection), the PRC has carried out the categorized administration for the evaluation of environmental effects of construction projects based on the extent of effects to the environment. The construction units shall submit to the relevant administrative departments of environmental protection the report on the environmental effects or the report form for the environmental effects, which shall be prepared by institutions with corresponding qualifications, or the registration form for the environmental effects as stipulated and obtain approvals from such administrative departments prior to the construction. Environmental protection facilities shall be designed, built and put into operation together with the whole construction project. Upon completion of the construction projects, the construction units shall apply to the administrative departments of environmental protection for examination and approval of the environmental protection facilities before the construction projects can be put into operation.

Relevant Laws and Regulations on Employment Matters

According to the Law of the People's Republic of China on Labor (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 with effect from January 1, 1995, which was subsequently amended on August 27, 2009 and the Law of the People's Republic of China on Labor Contract (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 with effect from January 1, 2008 and subsequently amended on December 28, 2012, labor relationship establishes between the employers and the employees from the date of employment. The employers shall enter into the written labor contracts with employees. The employer shall pay the employees, in accordance with the labor contracts and relevant laws and regulation, the labor remuneration on time and in full amount.

According to the Law of the People's Republic of China on Social Insurance (《中華人民共和國社會保險法》) (promulgated by the SCNPC with effect from July 1, 2011), the Decision

REGULATORY OVERVIEW

of the State Council on Establishing a Unified Basic Pension System for Employees Working in Enterprises (《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》) (promulgated by the State Council with effect from July 16, 1997), the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) (promulgated by the State Council with effect from December 14, 1998), the Provisional Measures on Birth Insurance for Employees Working in Enterprises (《企業職工生育保險試行辦法》) (promulgated by the former Ministry of Labor with effect from January 1, 1995), the Regulations on Work-Related Injury Insurance (《工傷保險條例》) (promulgated by the State Council with effect from January 1, 2004 and subsequently amended on December 20, 2010), and the Regulations on Unemployment Insurance (《失業保險條例》) (promulgated by the State Council with effect from January 22, 1999), employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for their employees. If employers fail to pay the social insurance, other than for legitimate reasons such as force majeure, the competent authority shall request the employers to pay the overdue payment or the deficit and the overdue fine within a specific term. In the event of failure to make the aforesaid payment, an additional fine may be imposed.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 with effect on the same date and subsequently amended on March 24, 2002, the employers must register with the competent housing provident fund management center and, upon the examination by such management center, complete procedures for opening an account at the relevant banks for the deposit of their employees' housing provident fund. Employers are required to pay, on behalf of their employees, to housing funds. In the event of any failure of the employers to register or to pay the housing provident fund, the competent housing provident fund management center shall request for completing the formalities or paying the overdue amount or the deficit within a specific term. Failure to do so may result in an overdue fine.

Relevant Laws and Regulations on Foreign Exchange

According to the Regulations on the Foreign Exchange Control of the People's Republic of China (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 with effect on the same date, and subsequently amended on January 14, 1997 and August 5, 2008, the foreign exchange control is divided into the foreign exchange control of the current account items and that of the capital account items (such as domestic direct investments by foreign investors, the issuance and trading of negotiable securities or the derivative products, overseas borrowing and external guarantee). For the purpose of current account items, Renminbi may be converted into foreign currencies without prior approval; however, the foreign exchange income and expenditure of current account items shall be based on authentic and lawful trading activities. Capital account items, on the other hand, require the prior approval from or file for record with the State Administration of Foreign Exchange (the "SAFE") or its local branch, as well as registration with such competent authority, for conversion of Renminbi into a foreign currency and remittance of the foreign currency.

REGULATORY OVERVIEW

The SAFE promulgated on May 11, 2013 the Notice for the Provisions for Administration of Foreign Exchange Relating to Inbound Direct Investment by Foreign Investors published by the State Administration of Foreign Exchange and the package documentation (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which standardized and simplified the foreign exchange operating procedures and standards in terms with direct investments by foreign investors with regards to the foreign exchange registration, the account opening and usage, the income and expenditure of the funds and the purchase and sales of foreign exchange.

On March 30, 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested 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》), or SAFE Circular 19, which became effective on June 1, 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose to convert its registered capital from foreign currency to RMB on self-discretionary basis, but the use of such converted registered capital is subject to certain limitations, including but not limited to, that a foreign-invested enterprise shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises, or use such converted registered capital for expenditures beyond its business scope or expenditures prohibited by PRC laws or regulations. Foreign-invested enterprises with equity investments as their main business can use the Renminbi capital converted for equity investments within the PRC. Ordinary foreign-invested enterprises other than the ones mentioned above, by following the stipulated procedures under Circular 19, may use their capital in foreign currencies or their converted Renminbi capital for equity investments within the PRC.

Relevant Laws and Regulations on Taxes

Enterprise Income Tax

According to the Law of the People's Republic of China on Income Tax (《中華人民共和國企業所得稅法》) promulgated by the SCNPC on March 16, 2007 and implemented on January 1, 2008, and the Implementation Rules for 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》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008 (collectively, the “**EIT Law**”), enterprises as taxpayers are divided into resident enterprises and non-resident enterprises. According to the EIT Law, resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in the PRC, or (ii) have no entities or premises but have income generated from the PRC. According to the EIT Law, foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay enterprise income tax for the income originated from domestic and overseas sources at a uniform rate of 25%. Non-resident enterprises that have establishments or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income originated from such establishment or premises and the income generated overseas but actually related to their establishment or premises in the PRC. For the non-resident enterprises that have no establishment or premises in the PRC, or those have establishment or premises in the PRC but whose income has no actual relationship to such

REGULATORY OVERVIEW

establishment or premises, their income originated from the PRC shall be subject to withholding enterprise income tax at a tax rate of 10%. According to the EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if an enterprise in Hong Kong directly holds at least 25% of the equity of an enterprise in the PRC, then the withholding tax rate shall be 5% for the dividends distributed by the enterprise in the PRC to the enterprise in Hong Kong.

Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On February 3, 2015, the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (Circular No.7 by State Administration of Taxation in 2015) (or Circular No.7) was promulgated by the PRC State Administration of Taxation, which abolished certain provisions in the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知) (Guoshui Han [2009] Circular No.698) (or Notice No.698) issued by the PRC State Administration of Taxation on December 10, 2009.

According to Circular No.7, when a non-resident enterprise (not including individuals or PRC resident enterprises) transfers the assets (including equity interests) in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfill one of the following conditions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling equity interests of a listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC Taxable Assets, the income from the transfer of such PRC Taxable Assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the Listing is unlikely to be considered to indirectly transfer equity interest or other assets in any of our PRC subsidiaries held by our Company.

As Circular No.7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular No.7 and the related SAT notices and it remains uncertain whether such exemptions will be applicable to the transfer of our shares or whether any future acquisition by us outside of the PRC involving PRC Taxable Assets will be reclassified by applying Circular No. 7.

If any future transfer of our Shares constitute an indirect transfer of the PRC Taxable Assets and is subject to the EIT obligation under Circular No. 7, the amount of the EIT shall be calculated based on the “income from the transfer” and applicable tax rate. Notice No. 698

REGULATORY OVERVIEW

stipulates that income from transfer of equity interest means the difference between the consideration for transfer and costs of equity interests. In respect of tax rate, a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty.

Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation and became effective on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under a tax agreement: (i) the tax resident that receives dividends shall be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the PRC resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》), which came into effect on October 1, 2009, if a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority.

Value-added Tax

According to the Interim Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 with effect from January 1, 1994 and subsequently amended on November 10, 2008 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011年修訂)》) promulgated by the Ministry of Finance and the State Administration of Taxation on December 15, 2008 and amended and came into effect on November 1, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

RELEVANT PRC LAWS AND REGULATIONS ON INTELLECTUAL PROPERTIES

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984 and came into effect on April 1, 1985 and was subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively, patent protection is divided into three categories: (i) Invention patent, (ii) Utility Model patent and (iii) Design patent. According to the Patent Law of the PRC, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or

REGULATORY OVERVIEW

use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of a patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated on August 23, 1982 and came into effect on March 1, 1983 and was subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively. Pursuant to the Trademark Law of the PRC, the right to exclusive use of a registered trademark shall be limited to the trademark which has been registered and to commodities on which the use of a trademark has been approved. The period of validity of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made within twelve months before the expiration. The period of validity for each renewal of registration shall be ten years. Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (ii) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (iii) selling commodities that infringe upon the right to exclusive use of a registered trademark; (iv) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (v) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (vi) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (vii) causing other damage to the right to exclusive use of a holder of a registered trademark.

The registrant of a registered trademark may license others to use its registered trademark through the trademark license agreement. 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.

Relevant Laws and Regulations on Handling Illegal Constructions Left over from the Process of Rural Urbanization

In order to address the issue of illegal constructions due to historical reasons such as rural urbanization, local government of the Shenzhen Municipality has promulgated a series of laws and regulations to identify and handle illegal constructions in Shenzhen. Pursuant to the Decision for Handling Illegal Constructions Left over from the Process of Rural Urbanization

REGULATORY OVERVIEW

(《關於農村城市化歷史遺留違法建築的處理決定》, the “**Decision**”) issued by the Standing Committee of the Shenzhen Municipal People’s Congress and came into effect on May 27, 2009, illegal constructions built between March 5, 1999 and October 28, 2004 in Shenzhen, and those built between October 28, 2004 and the date of effect of the Decision, i.e. May 27, 2009, without approvals from relevant district governments, might be considered as illegal constructions left over from the process of rural urbanization (the “**Historical Illegal Constructions**”). Such Historical Illegal Constructions will be subject to the handling by the Shenzhen Government by ways of confirming ownership, demolishing, expropriating or granting temporary use of the properties.

According to the Decision, the Shenzhen Government will conduct general survey on Historical Illegal Constructions. Only those recorded in such survey might be confirmed ownership pursuant to the Decision. The Decision requires the parties who built or manage the Historical Illegal Constructions to report such constructions to the relevant sub-district office where such constructions are located within the time limit set forth in the Decision. Those not reported within the time limit will be demolished or expropriated after the survey on Historical Illegal Constructions mentioned-above is finalized.

The Shenzhen Government further promulgated the Pilot Measure for the Implementation of the Decision on December 30, 2013, which came into effect on April 1, 2014, stipulating the review procedures in confirming ownership of the Historical Illegal Constructions in the pilot areas determined by the Shenzhen Government.

Relevant Laws and Regulations on Foreign Trade and Customs

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法) was adopted by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on May 12, 1994, and was amended by the SCNPC on April 6, 2004, which provides that any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby. Where any foreign trade business operator fails to file for archival registration according to relevant provisions, the customs authority shall not handle the procedures of customs declarations and release of the import or export goods.

The Regulation of the PRC on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) passed by the State Council, which became effective on January 1, 2002, together with the Foreign Trade Law of the PRC, standardizes the administration of the import and export of goods. The PRC government adopts an automatic import and export licensing system for some freely imported and exported goods and has a catalogue of such goods. From time to time, the PRC government promulgates catalogues of restricted and prohibited goods. For the goods subject to import or export restrictions, the PRC government maintains separate quota managing and licensing systems. Restricted goods may only be imported or exported with the approval of the relevant foreign trade department. Prohibited goods may not be imported or exported at all.

The Customs Law of the PRC (中華人民共和國海關法) was adopted by the SCNPC on January 22, 1987, and was revised by the SCNPC on July 8, 2000, June 26, 2013 and December

REGULATORY OVERVIEW

28, 2013. The Customs Law of the PRC provides that all import goods and export goods shall be subject to customs control, and shall be declared and duties on them paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the customs authority. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export license and relevant papers to the customs authority for examination. Enterprises engaged in the processing trade shall file an approval document and a processing contract at the customs authority. The finished products of a processing trade shall be re-exported within the stipulated time limit.

VIETNAM REGULATORY OVERVIEW

Foreign Investment

The new investment regime (comprising of the Law on Investment 2014 and the Law on Enterprises 2014) came into effect from July 1, 2015 and replaces the Law on Investment 2005 and the Law on Enterprises 2005.

Generally, in order to invest in and establish an enterprise in Vietnam, foreign investors are required to obtain an investment registration certificate and an enterprise registration certificate from licensing authorities. During the operation, any changes to the contents of the investment registration certificate or enterprise registration certificate of the enterprise must be registered with the licensing authorities to obtain an amended certificate. After a foreign invested enterprise has fully discharged its financial obligations to the Vietnamese Government, foreign investors are permitted to remit abroad the invested capital, proceeds from liquidation of their investment, the income derived from business investment activities, and other monies and assets lawfully owned by the investors.

Foreign investors such as RMI Vietnam HK and their Vietnam owned affiliates such as RMI Vietnam and RMI Vietnam Hai Duong that have been licensed and registered under the previous investment regime are not required to undergo the licensing procedures contemplated under the new investment regime.

Land Law

The Land Law 2013 taking effect from July 1, 2014 sets out, among others, the regime for land management and usage, the rights and obligations of land users. Land belongs to the people of Vietnam and is administered by the State. Private freehold ownership is not available in Vietnam but land users have legal rights to use land and are granted with land use right certificates. Land use rights are determined by reference to the category of land use purposes and the type of land user.

Export Processing Enterprise

A company that is qualified as an export processing enterprise shall be entitled to certain incentives and benefits under Vietnam laws. Export processing enterprises are enterprises set up and operating in export processing zones or enterprises operating in industrial zones or economic zones and having all of their products exported. The status of an export processing enterprise must be recorded in the investment (registration) certificate.

Employment

The Labor Code 2012 regulates, among others, the rights, obligations and responsibilities of employees, employers.

Labor Contract

A labor contract can only be one of the following types: (i) an indefinite term labor contract, (ii) a definite term labor contract between full 12 months and 36 months, or (iii) a seasonal or specific job labor contract with a term of less than 12 months. The signed labor contract can be terminated under the circumstances specified under the laws. In the event of unilateral termination, the terminating party is required to follow the procedures and conditions specified under the relevant laws.

Salary and Working Hours

The wage rate of an employee must not be lower than the minimum wage rate stipulated by the Vietnamese Government from time to time. Normal working hours must not exceed eight hours in one day and 48 hours in one week under the normal working hour regime. Employers are only allowed to require employees to work overtime with their agreements and following the mandatory conditions set out under the laws. Employees are entitled to overtime wages in accordance with the laws.

Labor Safety and Hygiene

Employers and employees are subject to various requirements on labor safety and hygiene at the work place such as periodic test of machinery, equipment and materials with strict requirements on labor safety, securing personal protective facilities for employees, training classes on labor safety and hygiene, and periodic health checks.

Internal Labor Regulations

An employer employing ten or more employees must have internal labor regulations in writing. The employer must consult the contents of the internal labor regulations with the executive committee of the competent labor union before issuing, and the main contents of the regulations must be posted at necessary locations at the workplace. The internal labor regulations must be registered with the State authority.

Statutory Insurance (Social Security)

Employers and employees must participate in statutory insurances, including social insurance, health insurance and unemployment insurance, as the case may be, and are entitled to the regimes as stipulated under the laws. In the case of employees who are ineligible to participate in statutory insurances, the employer must pay such employees, in addition to their wages for work, a sum of money equivalent to the amount of the contribution which would be paid for statutory insurances if the employee had been eligible simultaneously with wage payments.

REGULATORY OVERVIEW

Taxation

RMI Vietnam and RMI Vietnam Hai Duong are mainly subject to the following taxes:

(a) Corporate Income Tax (“CIT”)

CIT will be imposed on RMI Vietnam and RMI Vietnam Hai Duong’s incomes at the rate of 22% until 31 December 2015, except for enterprises having total annual income in the immediately preceding year of no more than VND 20 billion whose CIT is 20%. As from 1 January 2016, CIT rate will be 20%.

RMI Vietnam and RMI Vietnam Hai Duong will be entitled to the CIT incentives (comprising of preferential rate, CIT exemption and reduction) provided under their investment certificates. After RMI Vietnam and RMI Vietnam Hai Duong fully pay CIT for their taxable incomes, the profits of RMI Vietnam and RMI Vietnam Hai Duong to be distributed to RMI Vietnam HK will not be subject to any tax in Vietnam.

(b) Value Added Tax

Goods exported by RMI Vietnam and RMI Vietnam Hai Duong will be exempted from the value added tax.

(c) Business License Tax

RMI Vietnam and RMI Vietnam Hai Duong will pay this tax on an annual basis, currently at VND 3 million for each of RMI Vietnam and RMI Vietnam Hai Duong.

(d) Duties

No import or export duty will apply to the assets and properties which are to be imported from offshore for use within RMI Vietnam and RMI Vietnam Hai Duong, or to be exported offshore by RMI Vietnam and RMI Vietnam Hai Duong.

Foreign Exchange Control

An enterprise with foreign direct investment must open a direct investment capital account (“DICA”) at one credit institution licensed to operate in Vietnam. Payment of investment capital, remittance of principal investment capital, profit and other lawful revenue must be conducted via this DICA. DICA will be opened in the currency that investor selects to make contribution into the foreign-invested enterprise. Loans with offshore lender with the total term of more than one year must be registered with the State Bank of Vietnam.

OUR HISTORY AND DEVELOPMENT

OVERVIEW

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for global leading brands through an IDM business model. Our Company was incorporated in the Cayman Islands on September 21, 2010 and is the holding company of our Group.

Our founder and a Controlling Shareholder, Mr. Hung, first became involved in manufacturing of shoulder pads in 1985. Our current business as an intimate wear manufacturer was started in 1998, when Mr. Hung changed focus from manufacturing shoulder pads, which were experiencing a decline in demand during the late 1990s as shoulder pads became less and less fashionable, and set up production facilities in Shenzhen to manufacture bra pads by leveraging on the molding technology and other know-how he had accumulated from manufacturing shoulder pads.

We introduced computer-aided mold design technology in 1999, which started over development of IDM business model. This IDM business model has propelled our rapid development into the industry's number one bra manufacturing company globally based on production volume in 2014, according to the Frost & Sullivan Report. The IDM business model, unlike traditional OEM or ODM business models which only focus on certain stages of the production process, starts from product conceptualization and focuses on every segment of the overall industry value chain. In the same year, we began to develop business relationships with leading global brands. We started mass-producing bras, panties and shape wear in 2008; and, sports products, such as sports bras, functional seamless sportswear and wearable related sports products in 2011. We officially commenced production of the Speedform sports running shoes series in 2013.

We manufacture a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products. Unlike the traditional OEM or ODM business models, which only focus on certain stages of the production process, we differentiate ourselves by providing customers with high value-added and integrated IDM services ranging from product concept design, material and technological development, specification design to high-quality production.

OUR HISTORY AND DEVELOPMENT

BUSINESS MILESTONES

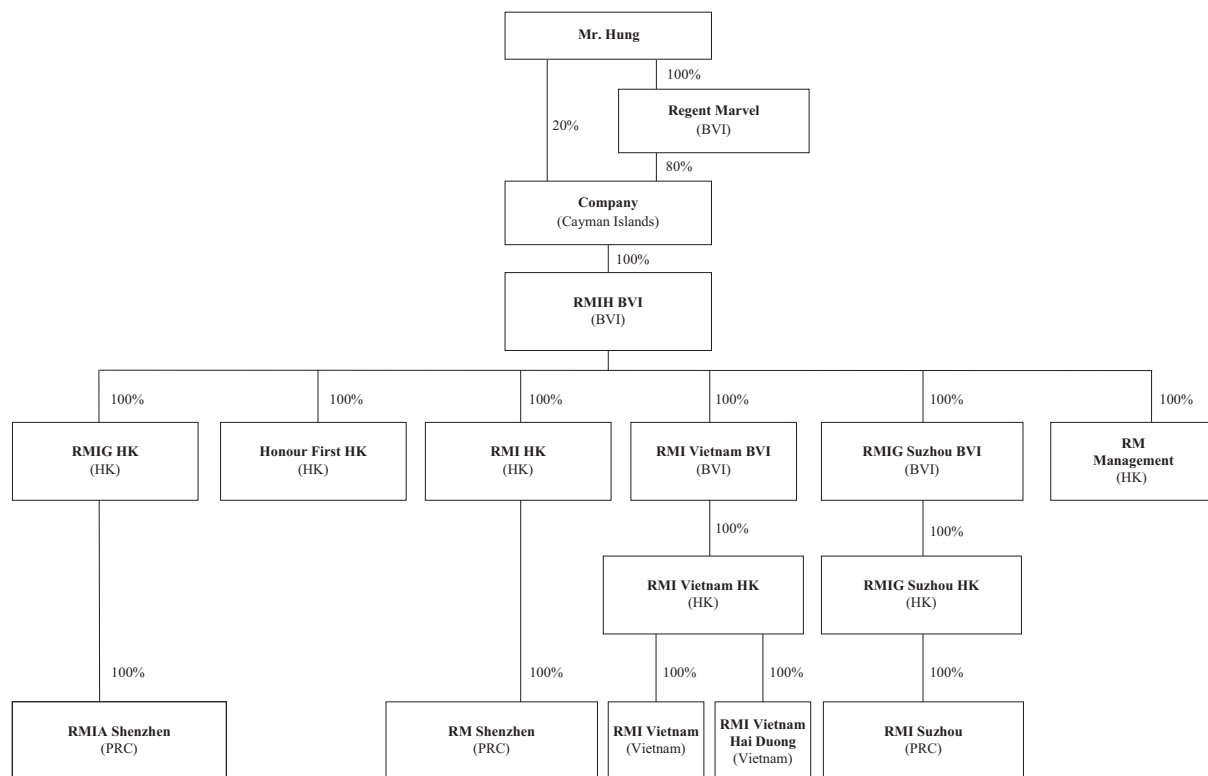
The following is a summary of key milestones in our history:

<u>Year</u>	<u>Major Events</u>
1998	<ul style="list-style-type: none">• RMI HK established in Hong Kong with a focus on bra pads production
1999	<ul style="list-style-type: none">• We introduced computer-aided mold design technology which transformed the traditional hand-made mold. This new technology increased the precision of the mold and quality of the products and has been applied extensively throughout the entire intimate wear industry. As a result of the introduction of this new technology, we embarked on our IDM business model
2000	<ul style="list-style-type: none">• In collaboration with one of our customers, we developed bra pads with a built-in oil bag
2003–2004	<ul style="list-style-type: none">• We introduced 3D hemming technology and hot melt adhesive technology which are unprecedented in the intimate wear industry
2006	<ul style="list-style-type: none">• We launched hot-pressed integrated one-piece bra• We were granted the Enterprise Award jointly presented by DHL and South China Morning Post for excellence in innovation, research and development
2007	<ul style="list-style-type: none">• Our Chairman Mr. Hung was awarded with “Young Industrialist Awards of Hong Kong” by the Federation of Hong Kong Industries
2008	<ul style="list-style-type: none">• We expanded our production facilities in Shenzhen and officially commenced our mass production of bras, panties and shape wear
2010	<ul style="list-style-type: none">• We received the Femmy Award granted by the U.S. Underfashion Club
2011	<ul style="list-style-type: none">• We were certified as a municipal research and development center (Technology Center) by the Shenzhen municipal government• We were granted a national laboratory certificate (國家實驗室認可證書) by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)• We commenced our sports bra and sportswear business with Under Armour• We began jointly developing the Speedform sports running shoes series with Under Armour
2013	<ul style="list-style-type: none">• Speedform sports running shoes officially commenced production
2014	<ul style="list-style-type: none">• Speedform sports running shoes received the German reddot award 2014

OUR HISTORY AND DEVELOPMENT

DEVELOPMENT OF OUR GROUP STRUCTURE

The following chart sets forth the corporate structure as of the Latest Practicable Date:



Establishment of our Company, RMIH BVI and Regent Marvel

(1) *Our Company*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 21, 2010 and became the holding company of our Group on April 18, 2011, when Mr. Hung transferred his entire interest in RMIH BVI to our Company.

On June 30, 2011, our Company underwent a capital increase, pursuant to which Mr. Hung injected US\$65,730,386 into our Company, and our Company continued to be wholly owned by Mr. Hung.

(2) *RMIH BVI*

RMIH BVI was incorporated in the BVI on March 30, 2007 by Mr. Hung. It first acted as the holding company of RMIG HK and Honour First HK and then became the intermediate holding company of our Group when Mr. Hung transferred his entire interest in RMIH BVI to our Company on April 18, 2011 at a consideration of US\$1.00. Subsequently, on June 30, 2011, RMIH BVI underwent a capital increase, pursuant to which our Company injected US\$65,730,386 into RMIH BVI, and RMIH BVI continued to be wholly owned by our Company.

RMIH BVI is currently the holding company of our subsidiaries in Hong Kong, PRC, BVI and Vietnam.

OUR HISTORY AND DEVELOPMENT

(3) *Regent Marvel*

Regent Marvel was incorporated in the BVI on June 2, 2015 by Mr. Hung to act as a holding company of part of his interest in our Company. On June 3, 2015, Mr. Hung transferred 80% equity interest in our Company to Regent Marvel at a consideration of US\$80.

Our Principal Operating Subsidiaries

(1) *RMI HK*

RMI HK is our first operating subsidiary. It was established in Hong Kong on May 20, 1998 by Mr. Hung and Mr. Tam Wing Cheong, who held 80% and 20% equity interest, respectively, upon its incorporation. Mr. Tam Wing Cheong has been our employee since October 2002, and acted as the trustee of Mr. Hung and held the shares in RMI HK for and on behalf of, and subject to the directions of Mr. Hung. The trust arrangement was put in place to meet the legal requirements at that time that a Hong Kong company must have a minimum of two shareholders.

The principal activity of RMI HK is the manufacture and sale of bra pads. RMI HK started the development of IDM business model in 1999 and carried out its manufacturing activities through Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited (紅星信昌膊棉廠(深圳)有限公司) (“**Shun Cheong Factory**”) from 1999 to 2003, and Shenzhen Baoan Gongming Yulv Regina Miracle Intimate Apparel Factory (深圳市寶安公明玉律維珍妮內衣廠) (“**RM Intimate Apparel Factory**”) from September 2003 to August 2014, which were used as our in-house processing plants pursuant to contract processing agreements (Shun Cheong Factory and RM Intimate Apparel Factory, collectively the “**Previous Bra Processing Facilities**”). Since the relevant contract processing agreement has expired in August 2014 and the PRC government no longer encourages the adoption of contract processing arrangements in Guangdong Province, RMI HK ceased the contract processing arrangement and established a wholly foreign-owned enterprise, RM Shenzhen, following the relevant PRC measures and notices, and has been manufacturing bra pads through RM Shenzhen since August 2014.

During the Track Record Period and up to July 2014, RMI HK entered into contract processing arrangements with RM Intimate Apparel Factory. As these arrangements did not involve buy-sell transactions, there were no transfer pricing issues. By making reference to a transfer pricing benchmarking study for intimate wear industry conducted by an external tax advisor, our Directors have confirmed that, prior to the Listing, there will not be any transfer pricing issues associated with the Group’s current arrangement of manufacturing products in the PRC through a PRC subsidiary and selling such products to customers through a Hong Kong subsidiary. Our Directors have also confirmed that there were no material non-compliance by, or outstanding litigations or claims against, RM Intimate Apparel Factory during the Track Record Period and up to the Latest Practicable Date. In addition, after an examination of Shenzhen Customs, the Shenzhen Taxation Bureau and the Shenzhen Market Supervision Administration, the corporate registration of RM Intimate Apparel Factory has been cancelled, and no compliance warning or claim has been issued or raised by these competent authorities against RM Intimate Apparel Factory during the deregistration process. Based on the foregoing,

OUR HISTORY AND DEVELOPMENT

as advised by our PRC legal advisors, there would typically have been no material non-compliance by, or outstanding litigations or claims against, RM Intimate Apparel Factory prior to the deregistration.

On June 24, 1999, Mr. Tam Wing Cheong transferred a 4% interest in RMI HK to Mr. Hung at a consideration of HK\$1.0 and a 16% interest in RMI HK to Ms. Sze Shui Ling, Mr. Hung's niece, at a consideration of HK\$1.0 at Mr. Hung's instructions. Subsequent to the transfer, Mr. Hung owned 84% of RMI HK and Ms. Sze Shui Ling owned 16% of RMI HK, and Ms. Sze Shui Ling took up the role of trustee for Mr. Hung in place of Mr. Tam Wing Cheong.

On January 22, 2002, RMI HK underwent a capital increase, pursuant to which Mr. Hung and Ms. Sze Shui Ling (acting on behalf of Mr. Hung) injected HK\$4.8 million into RMI HK, following which Mr. Hung and Ms. Sze Shui Ling owned 96% and 4% of RMI HK, respectively.

On November 10, 2004, Ms. Sze Shui Ling transferred a 2% interest in RMI HK to Mr. Hung at a consideration of HK\$100,000 at Mr. Hung's instructions, following which Mr. Hung and Ms. Sze Shui Ling owned 98% and 2% of RMI HK, respectively. Subsequently, on December 17, 2004, Ms. Sze Shui Ling transferred the remaining 2% interest in RMI HK to Ms. Choy King Ngor ("**Mrs. Hung**"), Mr. Hung's spouse, at a consideration of HK\$100,000 at Mr. Hung's instructions, following which Mr. Hung and Mrs. Hung owned 98% and 2% of RMI HK, respectively. Mrs. Hung took up the role of trustee for Mr. Hung in place of Ms. Sze Shui Ling.

On June 15, 2005, RMI HK underwent a capital increase, pursuant to which Mr. Hung and Mrs. Hung (acting on behalf of Mr. Hung) injected HK\$5.0 million into RMI HK, following which Mr. Hung and Mrs. Hung continued to own 98% and 2% of RMI HK, respectively.

On June 30, 2011, in order to implement a new corporate structure and to insert RMIH BVI as an intermediate holding company, the issued shares of RMI HK were converted into non-voting deferred shares and, on the same date, RMIH BVI subscribed for 100 newly issued ordinary shares of RMI HK at a consideration of HK\$100. Subsequently, on December 30, 2011, RMI HK repurchased all of the non-voting deferred shares held by Mr. Hung and Mrs. Hung at a total consideration of HK\$10,000,000. As a result of these transactions, RMI HK became the wholly-owned subsidiary of RMIH BVI and there have been no changes in shareholdings since then.

(2) *RM Shenzhen*

RM Shenzhen was established in PRC on April 17, 2014 as a wholly foreign-owned enterprise by RMI HK, and took over the business of RM Intimate Apparel Factory in August 2014. RM Shenzhen has an initial registered capital of HK\$20 million, the entire amount of which was contributed in cash by RMI HK and there have been no changes in shareholdings since its incorporation.

(3) *RMIG HK*

RMIG HK was established in Hong Kong on November 14, 2005 by Mr. Hung. The principal activity of RMIG HK is trading bras, panties and sports products manufactured by RMIA Shenzhen.

OUR HISTORY AND DEVELOPMENT

On May 7, 2007, Mr. Hung transferred all his equity interest, being 5,000,000 shares in RMIG HK to RMIH BVI at a consideration of HK\$5.0 million. There have been no changes in shareholdings since then.

(4) *RMIA Shenzhen*

RMIA Shenzhen was established in PRC on February 6, 2006 by RMIG HK to manufacture bras, panties and sports products for RMIG HK.

RMIA Shenzhen has undergone several capital increases and, as of the Latest Practicable Date, has a registered capital of HK\$300 million. RMIA Shenzhen has been wholly-owned by RMIG HK since its incorporation.

(5) *Honour First HK*

Honour First HK was established in Hong Kong on July 5, 2005. Mr. Hung purchased one share from the subscriber at a consideration of HK\$1 on July 18, 2005 and, on the same date, Mr. Hung and Mrs. Hung subscribed 7,999 shares and 2,000 shares at a consideration of HK\$7,999 and HK\$2,000, respectively. Subsequently, on March 29, 2010, Mr. Hung and Mrs. Hung transferred their entire interest in Honour First HK to RMIH BVI. There have been no changes in shareholdings since then.

The principal activity of Honour First HK is to provide trading services for and received commission from some of our specific U.S. customers.

(6) *RM Management*

RM Management was established in Hong Kong on April 14, 2015 and has been wholly-owned by RMIH BVI since incorporation. RM Management is an investment holding company and has not carried on any business as of the Latest Practicable Date.

Recent Expansion of in the PRC and Vietnam

Since the start of our Track Record Period on April 1, 2012, we have continued to expand our manufacturing capabilities. We first embarked on building new manufacturing facilities in Vietnam and then in Suzhou City, Jiangsu Province, China. The corporate development of our Vietnam and Suzhou facilities are set out below:

Vietnam

We established RMI Vietnam and RMI Vietnam Hai Duong in Vietnam on March 20, 2014 and June 26, 2015, respectively as our wholly-owned subsidiaries to act as the Group's operating subsidiaries for the Vietnam facilities. RMI Vietnam is primarily responsible for bras and intimate wear production and RMI Vietnam Hai Duong is primarily responsible for sports footwear production. RMI Vietnam and RMI Vietnam Hai Duong are held by RMI Vietnam HK, our wholly-owned subsidiary, which is in turn held by RMI Vietnam BVI, which is wholly-owned by RMIH BVI. RMI Vietnam BVI was established in the BVI on July 12, 2007 and RMI Vietnam HK was established in Hong Kong on March 28, 2006. RMI Vietnam BVI and

OUR HISTORY AND DEVELOPMENT

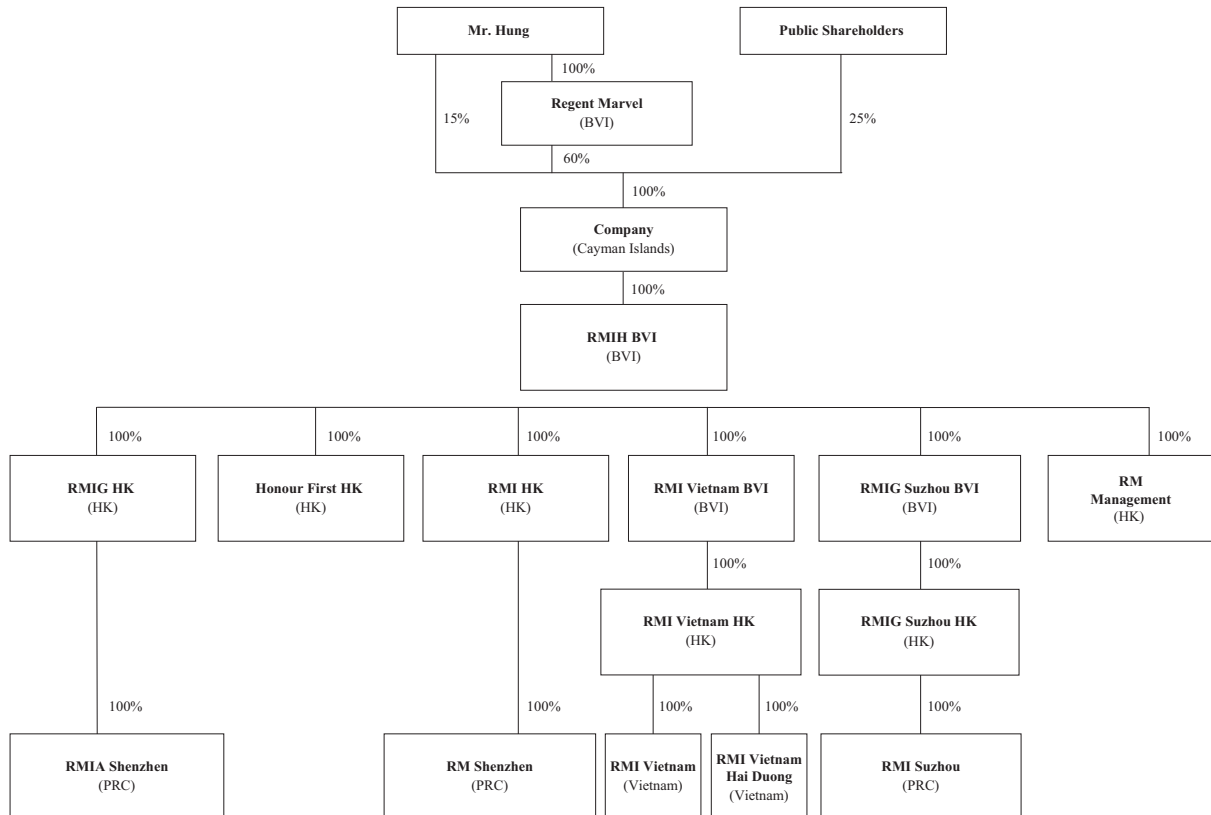
RMI Vietnam HK became our wholly-owned subsidiaries on November 28, 2013 and December 11, 2013, respectively. RMI Vietnam and RMI Vietnam Hai Duong have not commenced production as of the Latest Practicable Date.

Suzhou

We established RMI Suzhou in the PRC as a wholly foreign-owned enterprise on January 26, 2015 as our wholly-owned subsidiary to act as the Group's operating subsidiary for future expansion in Suzhou. RMI Suzhou is held by RMIG Suzhou HK, our wholly-owned subsidiary, which is in turn held by RMIG Suzhou BVI, which is wholly-owned by RMIH BVI. RMIG Suzhou BVI was established in the BVI on August 7, 2014 and RMIG Suzhou HK was established in Hong Kong on October 6, 2014. RMI Suzhou has not commenced business operation as of the Latest Practicable Date.

CORPORATE STRUCTURE

The following chart sets forth our shareholding structure immediately after the completion of the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised:



OVERVIEW

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for leading global brands through an IDM business model. Our IDM business model has spearheaded our rapid development into the industry's number one bra manufacturing company globally with a market share of 1.0% based on production volume in 2014, according to the Frost & Sullivan Report. We offer a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products.

Unlike the traditional OEM or ODM business model, which only focuses on certain stages of the production process, we are able to provide our customers with high value-added and integrated IDM services ranging from product concept design, material and technological development, specification design to production. By having an edge on developing and integrating innovative technologies, equipment and materials across multiple industries, our IDM business model constantly results in breakthroughs in product technology, structure and functional design so as to provide innovative products that meet our customers' needs and lead the development of the industry. We believe that our IDM business model gives us a competitive advantage at the front-end for the industry value chain which makes us a value-creator and enables us to become a driving force for developing new products and breakthrough technologies.

As an IDM company, we are not only a key supplier to our major customers but also their product research and development partner. Our major customers include many leading global brands, including Victoria's Secret owned by LBrands; Bali and Maidenform owned by Hanes Brands; and Calvin Klein and Warner's owned by PVH, in the intimate wear industry, and VSX; adidas and Reebok owned by adidas Group; Under Armour owned by Under Armour; and Champion owned by Hanes Brands, in the sporting goods industry. Most of our major intimate wear brand partners have been associated with us for more than ten years. In particular, our 15-year relationship with LBrands has been mutually beneficial. Globally, we are one of LBrands' largest suppliers of intimate wear, and also closely partner with them from concept design through product design and development, to the final delivery of high-quality products.

We believe our strong research and development capabilities are critical to successfully building and maintaining our leading market position globally. We focus on developing the functionality of our products, and in addition to closely monitoring the trend of technological revolutions across different industries, we also strive to integrate industry resources, up- and down-stream, in order to create a mutually-beneficial relationship between our partners and ourselves. According to the Frost & Sullivan Report, many mainstream engineering skills or widely used technologies in today's intimate wear industry were originally developed or implemented by us. Moreover, we also jointly developed many products with major leading global intimate wear brands. Backed by our innovation and research and development capabilities, expertise and core technologies accumulated in the production of intimate wear, we are able to generate and realize innovative ideas across multiple industries and product lines, which allows us to successfully and strategically expand our product categories. Our product portfolio has expanded from intimate wear to functional sports products, such as sports footwear, functional seamless sportswear and wearable related sports products.

BUSINESS

We plan to continue to expand our product portfolio and solidify and strengthen the relationships with our brand partners. Furthermore, we plan on continuing to capture growth opportunities and expand our market share through strategic expansion of our manufacturing capacities in multiple regions. We are in the process of establishing an additional two production facilities in the VSIP in Hai Phong, Vietnam. We plan to begin constructing another production facility in the VSIP in Hai Phong, Vietnam in 2016. We also plan to establish new production facilities in Hai Duong Province, Vietnam, and in Wujiang, Suzhou, Jiangsu Province, China. These additional production facilities will expand our manufacturing capacities in order to support our rapid business growth.

Benefiting from the competitive advantages by being an IDM company as well as our experienced, innovative and professional management team with an entrepreneurial spirit, we had significant revenue and profit growth during the Track Record Period. Our revenue increased from HK\$2,903.3 million in Fiscal 2013 to HK\$3,803.0 million in Fiscal 2014, and further to HK\$4,192.0 million in Fiscal 2015, representing a CAGR of 20.2% from Fiscal 2013 to Fiscal 2015. Our adjusted profit increased from HK\$112.7 million in Fiscal 2013 to HK\$208.3 million in Fiscal 2014, and further to HK\$335.2 million in Fiscal 2015, representing a CAGR of 72.4% from Fiscal 2013 to Fiscal 2015.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from other industry participants, have contributed to our success and will continue to enable us to increase our market share and capture future growth opportunities:

We are the industry's number one bra manufacturing company globally and by leveraging our innovation advantages, we have quickly grown into a trend-setting IDM company

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for leading global brands through an IDM business model. Our IDM business model has spearheaded our rapid development into the industry's number one bra manufacturing company globally with a market share of 1.0% based on production volume in 2014, according to the Frost & Sullivan Report. We offer a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products.

We are able to provide our customers with high value-added and integrated IDM services ranging from product concept design, material and technological development, specification design to production. By having an edge on developing and integrating innovative technologies, equipment and materials across multiple industries, our IDM business model constantly results in breakthroughs in product technology, so as to provide innovative products that meet our customers' needs and lead the development of the industry. We believe that our IDM business model gives us a competitive advantage at the front-end of the industry value chain which makes us a value-creator and enables us to become a driving force for developing new products and break-through technologies.

Our IDM business model enables us to:

- develop break-through products to lead the industry;
- focus on developing the functionality of our products, and integrate industry resources, up- and down-stream, in addition to closely monitoring the trend of technology revolutions across different industries;
- provide our brand partners with high value-added and integrated services;
- rely on our strong research and development capabilities and utilize technologies across multiple industries to successfully expand our product offerings; and
- consistently be a first mover in launching new technologies that influence the industry and develop our intellectual property portfolio which provides us with significant competitive advantages and creates a barrier to entry for our competitors.

We were certified as a municipal research and development center (technology center) by the Shenzhen municipal government in 2011. We were granted a national laboratory certificate (國家實驗室認可證書) by the CNAS in 2011. We also were recognized as a high and new technology enterprise by the Shenzhen municipal government in 2007.

In recognition of our continuous technological breakthroughs and innovative products in the industry, we received the German reddot award 2014 and the Femmy Award by the U.S. Underfashion Club in 2010. We were granted the Enterprise Award jointly presented by DHL and South China Morning Post in 2006 for excellence in innovation, research and development. In addition, we also are consistently recognized by our customers. We were granted the Apparel Rookie of the Year Award presented by Under Armour in 2011, and the PVH Product Innovation Award presented by PVH in 2012 and 2014.

We possess pioneering innovation and research and development capabilities which enable us to continuously introduce best-selling products

Our core management philosophy is that “innovation will bring us more opportunities and more opportunities will bring us growth together”. Our IDM business model enables us to generate innovative ideas across multiple industries and product lines. Moreover, it also enables us to integrate resources from up- and down-stream aspects of the industry and to take part in key stages within the industry’s value chain in relation to research and development. We focus on developing the functionality of our products, and thus we are able to develop break-through products for our customers and lead the industry. Due to our strong research and development capabilities, we were able to present no less than 100 different styles of intimate wear products and functional sports products to our customers in Fiscal 2013, and over 300 different styles of intimate wear products and functional sports products to our customers in each of Fiscal 2014 and Fiscal 2015.

According to the Frost & Sullivan Report, many mainstream engineering skills or widely used technologies in today’s intimate wear industry were originally developed or implemented by us, including the CAD/CAM technologies, 3D hemming skill, hot melt adhesive technology, injection molding technology and 3D printing technology. These technologies can effectively

solve issues frequently encountered in the traditional production process, enhance the appearance and comfort of bras or improve the traditional manufacturing method and are important milestones of our cross-industry innovations.

In addition, we have jointly developed new raw materials with well-known suppliers in the intimate wear industry, including Inoac, Best Pacific and Pacific Textiles while, at the same time, working together with other raw material suppliers such as world-renowned chemical engineering companies Henkel and Bluestar, to develop innovative functional materials and application solutions. Some of these materials are exclusive for our use only. Such collaborations effectively differentiate our products from those of our competitors.

- *Inoac*. In 2013, we jointly developed AIR foam with the Japanese firm Inoac. This new material is 70% lighter than traditional foam and provides full support without adding extra weight.
- *Henkel*. In 2011, we and Henkel jointly developed the application solution to utilize the HM-388 holt-melt glue in the production process of intimate wear. The HM-388 holt-melt glue has advantages of high elasticity and breathability, extreme softness and great anti-yellowing capability. It effectively replaces the traditional solvent-based glue and is more environment-friendly.
- *Best Pacific*. In 2009, we and Best Pacific jointly developed the 100% spandex fabric which is used in our seamless bras. This type of fabric is highly elastic, closer fit to body and traceless, and successfully replaces the traditional elastic.
- *Bluestar*. In 2012, we and Bluestar jointly developed the silicone which is used in our bra pads. This material provides a natural skin-like touch with extra softness and comfort.

As a result of our strong research and development capabilities and utilization of technologies across multiple industries, we are able to continuously develop and launch innovative products which can meet consumer demand. We have developed the following key products for a number of internationally recognized brands:

- *Warner's Unbelievable collection*. We developed wireless bras by replacing steel with 3D plastic materials with an aim to providing consumers with extra comfort.
- *Maidenform's Comfort Devotion collection*. In 2012, we applied the extra soft foam with brushed fabric and developed the Comfort Devotion collection for Maidenform, which also is among their best selling collections of bras.
- *Under Armour's speedform sports running shoes series*. In 2011, we began jointly developing the speedform sports running shoes series with Under Armour which are innovative in craftsmanship, product appearance and improved comfortability and have been warmly received by the market since their launch in 2013.
- *Reebok's CrossFit sports bra and sportswear series*. Since 2013, we have implemented seamless adhesive and screen print technologies to develop a series of close-fitting functional sportswear for Reebok which carries the features of high breathability, snug-fitting and high elasticity.

We place great emphasis on the research and development of new technologies and product innovations, as well as the protection of our intellectual property rights. As of the Latest Practicable Date, we have received a total of 81 issued patents (including 26 in the U.S., 19 in the PRC and 36 in other countries and regions) and 37 pending patent applications. Most of our patents are invention patents and utility model patents. We believe that our strong intellectual property portfolio enables us to maintain our leading market position.

Strategic cooperation with leading global brands and quality customers are cornerstones of our success

We design, develop and manufacture intimate wear and functional sports products for a broad customer base which includes many of the world's leading brand owners. As we have continuously focused on innovation and developed high value-added products that set out to meet consumer demand, we have been able to boost our customers' sales, thereby creating a mutually-beneficial relationship between our high-quality customers and ourselves, and solidifying our collaborative relationships with them. According to the Frost & Sullivan Report, the leading brand owners in the U.S., UK and Japanese intimate wear markets include LBrands, Hanes Brands, PVH, Marks & Spencer PLC and Wacoal Holding Corp. All of these companies are our customers. In particular, according to the Frost & Sullivan Report, in the U.S. intimate wear market, our customers together accounted for 40.5% of the market share based on the retail sales value in 2014.

Our key customers include:

- *Intimate wear brands:* Victoria's Secret owned by LBrands; Bali and Maidenform owned by Hanes Brands; and Calvin Klein and Warner's owned by PVH.
- *Sporting goods brands:* VSX; adidas and Reebok owned by adidas Group; Under Armour owned by Under Armour; and Champion owned by Hanes Brands.

Most of our major intimate wear brand customers have been associated with us for more than ten years. In particular, our 15-year relationship with LBrands has been mutually beneficial. Globally, we are one of LBrands' largest suppliers of intimate wear, and also closely partner with them from concept design through product design and development, to the final delivery of high-quality products. We provide LBrands with high value-added and integrated solutions for the design and manufacture of products, including the research and development of the structure, functionality, raw materials and engineering skills of products. We also recommend high-quality suppliers to LBrands as part of our collaborative process. Over the years, many of its best-selling products have been developed by us.

Although we have entered into the sporting goods industry for only a few years, by leveraging our strong innovation and research and development capabilities, we have developed stable relationships with some internationally recognized sports brands. In particular, we have a strong relationship with Under Armour. Working together with Under Armour, we jointly developed the award-winning Speedform sports footwear, which are innovative in terms of their craftsmanship, product appearance and improved comfortability. These shoes have been highly regarded by the market since their launch.

BUSINESS

We have been careful in selecting customers and focused on product innovations, both of which are foundations for our continuous mutual growth. The business of our key customers has been growing, which in return enables us to grow in parallel with them. Based on our experience, when our customers decide to expand their product offerings, they are willing to choose to work with us. In recognition of our innovation capabilities and mature manufacturing skills, our collaboration with Under Armour, initially starting with sports footwear, has also expanded into wearable related sports products. In addition, these collaborations have further strengthened our skill sets and experience in product functional and performance design, research and development, and thus have enhanced our competitiveness. We believe that such mutually beneficial relationships will continue to strengthen our market presence and our competitive position globally.

Our innovation and research and development capabilities enable us to successfully expand our product lines into functional sports products

As an IDM company, supported by our comprehensive innovation and research and development capabilities and core technologies accumulated in the production of intimate wear, our product portfolio has expanded from intimate wear to sports bras, and further to functional sports products, such as sports footwear, functional seamless sportswear and wearable related sports products.

The launch of sports bras is an important milestone in the expansion of our product portfolio. The demand for high-quality sports bras has been increasing throughout the years, and armed with our thorough understanding of comfort and functional requirements of intimate apparel, we developed several innovative sports bras for our customers in 2011. Moreover, we have successfully entered into the sports footwear market that has a huge market size. The popular Speedform running shoes of Under Armour are another achievement of the expansion of our product portfolio. In addition, we started to cooperate with wearable electronic device companies to commence our business in wearable related sports products. The following chart sets forth the achievements of the expansion of our product portfolio. See “— Our Products” below for pictures of our functional sports products.

<u>Product</u>	<u>Brand</u>	<u>Series</u>	<u>Technology/Importance</u>
Sports Bras	adidas	Running Bra Workout Bra	adidas’s star product
Sports Footwear . . .	Under Armour	Speedform	The first shoe to apply 3D molding technology to produce a heel cup that eliminates any stitching and is made from a single piece of material, which maximizes the fit and comfort of each shoe

BUSINESS

Product	Brand	Series	Technology/Importance
Functional Seamless Sportswear	Reebok	CrossFit	Seamless close-fitting functional sportswear which carries the features of high breathability, close-fitting and high elasticity
Wearable Related Sports Product . . .	Under Armour	Heart rate monitoring strap and T-shirt	Straps and T-shirts for use with a monitoring device that measures heart rate during exercise

We have an efficient and timely production control and supply chain management system

We have an integrated production control and supply chain management system under which we closely monitor all key stages of our manufacturing processes. Such systems give us greater control over efficiency, quality, costs, as well as the flexibility that is necessary to respond to changing market trends and customer requirements.

- Production control system:
 - We maintain an advanced information technology platform, which integrates the SAP enterprise resource planning system, Fast React production control system, RFID system and GSD system, to handle matters such as order processing, production planning, capacity analysis, WIP monitor and delivery of products, so that we are able to effectively and efficiently monitor, analyze and manage our inventory levels, production capacity and quality control.
 - We are in the process of implementing the lean manufacturing system to optimize our production process and shorten the internal lead time. We aim to maximize our production efficiency and lower inventory levels by standardizing our production process so that we can swiftly respond to changing customer demand.
 - We have developed a complete quality management system (i.e. the RFT system) in every stage of our operation process, from the testing of raw materials to the manufacturing, packaging, transportation and storage stages, all with a view to complying with customers' highest quality standards.
- Supply chain management system:

Over the years, we have developed and maintained close and stable relationships with many world-renowned suppliers to ensure a steady supply of raw materials. Helping our suppliers to progress and become more competitive so as to achieve cooperation that leads to mutual growth has always been one of our core strategies.

- We arrange for our quality control staff to selectively carry out on-site inspections of raw materials at our suppliers' facilities before they are delivered to us. Such arrangement allows us to take full advantage of our QI joint inspection system and solve issues at an early stage.

BUSINESS

- We evaluate our suppliers periodically based on a range of factors, including raw material quality and the ability to meet our delivery timeline which in turn helps us to build a fast, high-quality supply chain.

We have an experienced, innovative and professional management team with an entrepreneurial and research and development spirit and a proven track record

We have an experienced and innovative management team with an entrepreneurial spirit, extensive operational expertise and an in-depth understanding of our industry. Mr. Hung, our founder and chairman, has accumulated over 16 years of experience in the industry and in 2007 was awarded with “Young Industrialist Awards of Hong Kong” by the Federation of Hong Kong Industries. Mr. Hung focuses on technological innovation and has led the Group to introduce the CAD/CAM technologies and other pioneering technologies in the intimate wear industry. It was under Mr. Hung’s leadership that we grew into a trend-setting IDM company. Our IDM business model has become the core competency of our enterprise development. Our general manager of technology development, Mr. Huang Guoxian, and our chief research and development and design officer, Mr. Liu Zhenqiang, each has over 16 years of experience in the intimate wear industry. In particular, Mr. Huang has contributed to several patents in relation to intimate wear, including the hot-press integrated seamless one-piece bra. He has extensive experience in the development of new technologies.

With an average of approximately 15 years of experience in their respective fields, and most of whom have been with us for more than ten years, members of our senior management team have made great contributions to our Company. We share the same management philosophy after years of cooperation. Across the organization, our management has fostered a corporate culture of commitment to innovation, and spearheaded our rapid development into the industry’s number one bra manufacturing company globally, based on production volume in 2014. Our management continues to innovate and lead us to success in the sporting goods industry. Most of the talents in our management team are trained and promoted internally, which leads to greater employee stability and loyalty. In addition, we place a strong emphasis on encouraging, training, and retaining our employees. Some of the members of our product design, research and development team are recruited from universities or institutes with which we have a long-term cooperation, and started from entry level positions within our company. Some of them have become core members of our team. We believe that the industry knowledge and experience of our senior management and our product design, research and development team members have been a crucial element to our success. Under the leadership of our management team, we believe we will continue to create value and deliver sustainable growth for our shareholders in the future.

OUR BUSINESS STRATEGIES

Our goals are to continue to strengthen our position as a leading global intimate wear IDM company and to become one of the leading players in the functional sports products industry globally. We aim to achieve these goals through the following:

Solidify and strengthen our core competitiveness of technology innovation

In order to continuously launch break-through technologies and products which strengthen our relationships with existing brand partners, we will continue to devote substantial resources to cross-industry and cross-product-line technology innovations and research and development activities. Our planned initiatives in this area include the following:

- *Train and recruit new talents.* We intend to strengthen our existing research and development capabilities by offering better training programs to our research and development team, cooperating with universities to recruit additional experienced research and development personnel and recruiting international talents to bolster our already accomplished team.
- *Strengthen the co-development relationship with raw material suppliers.* We will strengthen our co-development relationship with suppliers and jointly develop innovative raw materials which will be used to produce high-quality products. This will further differentiate us from our competitors and foster a barrier to entry.
- *Increase investments in new infrastructure.* In order to maintain our competitive position in the industry, we plan to continue developing or purchasing additional computerized design system and new equipment which, we believe, can improve our production efficiency as well as support our developing new products to satisfy consumer demand. We also plan to upgrade our existing manufacturing equipment tailored to different production requirements of different products so as to increase our production efficiency.
- *Protect intellectual property rights.* We intend to continue making investments in developing and patenting new technologies. We also plan to strengthen our competitive advantages in research and development by rigorously protecting our intellectual property and proprietary know-how.

Continue to expand our intimate wear businesses

We will continue to expand our intimate wear businesses and strengthen our market position in the intimate wear industry. Our planned initiatives in this area include the following:

- *Strengthen the competitiveness of our core products.* We will continuously maintain a close relationship with our existing brand partners. By providing innovative products to our customers, we not only help our customers to increase their sales revenue but also boost the shares of our products in their product lines.
- *Coordinate with customers' expansion plan.* We intend to continue coordinating with customers' expansion plans in various geographic markets and/or brands. We will assist our customers to develop new products in new geographic markets. We will also assist them with product diversification to establish or maintain their multi-brand strategy with an aim to proactively exploring and capturing growth opportunities in different segments of the market.
- *Enhance our ability to deliver high value-added and integrated services.* We will continue to enhance our ability to deliver high value-added and integrated services in areas such as continuous research and development of innovative and high-quality products and fast product delivery, so as to strengthen our existing relationships with our brand partners.

Further expand our product portfolio

We intend to leverage our experience and market-leading position in the intimate wear industry to expand into functional sports products (including sports footwear, functional seamless sportswear and wearable related sports products) industries which we believe can continue to grow our business and broaden our customer base through diversified product portfolio. Our planned initiatives in this area include the following:

- *Sports footwear.* We will gradually increase the proportion of sports footwear sales as a percentage of revenue. Different from other ordinary sports footwear manufacturers, we will focus on developing and producing functional seamless sports footwear that are more close-fitted to feet which rely on our innovation capabilities and mature manufacturing skills we have accumulated through the years in the intimate wear industry.
- *Functional seamless sportswear.* We will continue to make use of the technologies and development concepts accumulated during the design and development of intimate wear to develop functional sports products that have better comfort level so as to expand our business in this field.
- *Wearable related sports products.* The wearable electronic technology has become more and more popular. It has become a challenging trend within the industry to integrate wearable electronic devices into everyday clothing. We believe that we are able to hold onto this trend with all the skills we have accumulated throughout the years of developing intimate wear products. Recently, we have started to jointly develop wearable related sports products with some of our major customers. In response to the high growing potential of wearable sports products, we plan to strengthen our relationships with leading high-tech companies to combine technologies and skills in the electronic and intimate wear industries. As a result of these synergies, we plan to develop intimate and comfortable wearable related sports products.

Further expand manufacturing capacities in multiple regions

We plan to continue to explore and capture growth opportunities and expand our market share through strategic expansion of our manufacturing capacities in multiple regions. In the meantime, we plan to deploy a more robust information technology platform and higher-efficiency production planning systems to optimize our production efficiency as well as minimizing our inventory level. In addition, multiple facilities in different regions can help us to diversify our risks. We plan to establish the following new facilities in addition to our existing facilities.

- *Hai Phong, Vietnam facilities.* We are in the process of establishing an additional two production facilities in the VSIP in Hai Phong, Vietnam. We plan to manufacture bras, sports bras, bra pads and functional seamless sportswear in these two facilities. We also plan to begin constructing another production facility in the VSIP in Hai Phong, Vietnam in 2016. We expect these three facilities in Hai Phong, Vietnam to commence production by the first quarter of 2016, the third quarter of 2016, and 2018, respectively.
- *Hai Duong Province, Vietnam facilities.* We also plan to construct an additional one production facility in VSIP in Hai Duong Province, Vietnam, where we plan to manufacture sports footwear. This facility is expected to commence production in 2017.

BUSINESS

- *Wujiang, Suzhou, Jiangsu Province, China facility.* In order to capture the potential opportunities in the PRC market, we plan to construct an additional one facility in the Wujiang National Economic and Technological Development Zone in Jiangsu Province, China. We entered into a memorandum of understanding with the Management Commission of the Wujiang National Economic and Technological Development Zone in August 2014 contemplating an acquisition of a parcel of land with an aggregate site area of 377 mu for our use for a term of 50 years. The site area of the parcel of land to be acquired and the number of phases over which the land is to be acquired will be subject to further negotiation and confirmation of both parties.

These additional production facilities will expand our manufacturing capacities in order to meet our rapid business growth. See “— Production — Production Expansion Plan” for more details.

As of the Latest Practicable Date, we have not identified any specific acquisition targets.

OUR BUSINESS MODEL

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for leading global brands through an IDM business model. Our IDM business model has spearheaded our rapid development into the industry’s number one bra manufacturing company globally with a market share of 1.0% based on production volume in 2014, according to the Frost & Sullivan Report. We offer a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products.

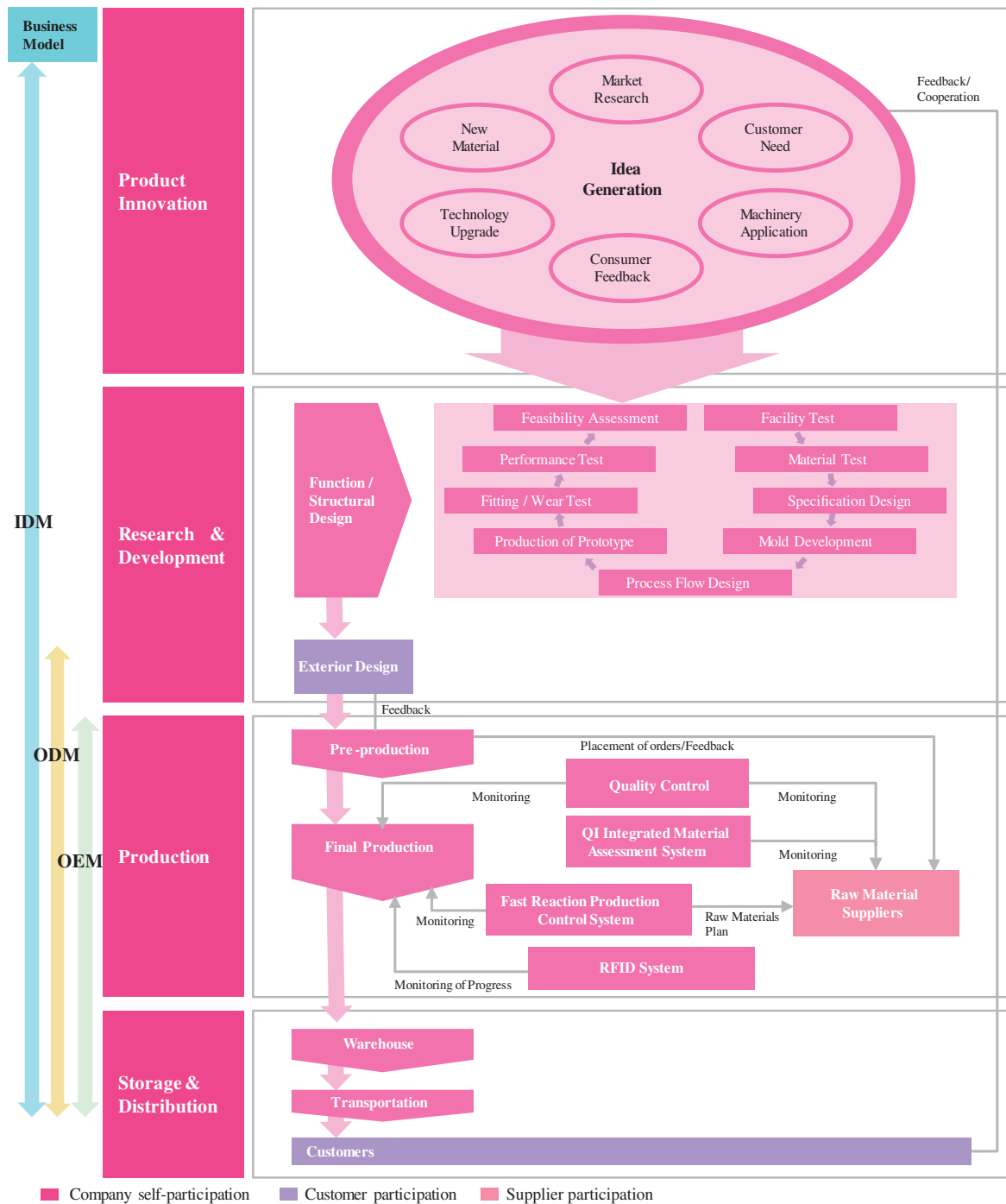
We offer a high value-added and integrated design and manufacture solution for internationally recognized intimate wear and sporting goods brands. Unlike the traditional OEM or ODM business model, which only focuses on certain stages of the production process, our IDM business model starts from product concept design and focuses on every segment of the overall industry value chain. By having an edge on developing and integrating innovative technologies, equipment and materials across multiple industries, our IDM business model constantly results in breakthroughs in product technology, structure and functional design so as to provide innovative products that meet our customers’ needs and lead the development of the industry. We believe that our IDM business model gives us a competitive advantage at the front-end of the industry value chain which makes us a value-creator and enables us to become a driving force for developing new products and break-through technologies.

According to the Frost & Sullivan report, IDMs and ODMs primarily differ in the following respects. While an IDM is capable of creating and developing new products through extensive research and development efforts with respect to functionalities, structures and raw materials, an ODM in general depends upon and receives instructions from customers in order to design and manufacture products, and does not seek to innovate independently. In addition, an ODM generally possesses only limited capabilities to design the appearance of products and does not engage in research and development activities with respect to functionalities, structures and raw materials. By contrast, IDMs innovate proactively and independently and devote substantial resources to conducting market research and to designing new product

BUSINESS

concepts. These investments enable IDMs to develop new products for brand owners without receiving any specific instructions or guidance, to follow and adapt to trends in the market, and to better understand consumers' needs. As compared with ODMs, IDMs generally have deeper insights into consumer demands, new and developing market trends, and the application of advanced technologies to different segments within a given industry.

The following chart illustrates our business model and the services we provide within the industry value chain:



BUSINESS

As an IDM company, supported by our comprehensive innovation and research and development capabilities and core technologies accumulated in the production of intimate wear, we have been able to generate and realize innovative ideas across multiple industries and product lines, which allows us to successfully and strategically expand our product categories. Our product portfolio has expanded from intimate wear to sports bras, and further to functional sports products, such as sports footwear, functional seamless sportswear and wearable related sports products, as shown in the chart below:



We pride ourselves on possessing strong design, research and development capabilities and providing value-added services to our customers. We have been an important product research and development partner and supplier for internationally recognized intimate wear and sports brands with a large consumer base, including Victoria's Secret owned by LBrands; Bali and Maidenform owned by Hanes Brands; and Calvin Klein and Warner's owned by PVH, in the intimate wear industry, and VSX; adidas and Reebok owned by adidas Group; Under Armour owned by Under Armour; and Champion owned by Hanes Brands, in the sporting goods industry. See "— Product Functional and Performance Design, Research and Development" and "— Sales and Marketing — Customers" below for details.

OUR PRODUCTS

Our products can be divided into three categories: (1) bras and intimate wear (including bras, sports bras, panties, shape wear and others); (2) bra pads and other molded products; and (3) functional sports products (including sports footwear, functional seamless sportswear and wearable related sports products).

BUSINESS

The following table sets forth a breakdown of our revenue by product category, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Bras and intimate wear	2,029,924	69.9	2,857,426	75.1	2,941,077	70.2
Bra pads and other molded products	833,530	28.7	796,694	21.0	774,793	18.5
Functional sports products ⁽¹⁾ . . .	39,819	1.4	148,851	3.9	476,139	11.3
Total	2,903,273	100.0	3,802,971	100.0	4,192,009	100.0

Note:

(1) Revenue generated from sales of sports footwear amounted to zero, HK\$48.6 million and HK\$367.6 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of functional seamless sportswear amounted to HK\$38.8 million, HK\$96.5 million and HK\$101.9 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of wearable related sports products amounted to HK\$1.0 million, HK\$3.8 million and HK\$6.6 million, respectively, in Fiscal 2013, 2014 and 2015.


In Fiscal 2015, the price range of our products charged to customers was HK\$40 to HK\$80, HK\$6 to HK\$30 and HK\$80 to HK\$220 per piece, respectively, for bras and intimate wear, bra pads and other molded products and functional sports products. The sales of our products are seldom subject to seasonality.

Bras and Intimate Wear



Our bra and intimate wear product category primarily includes bras, sports bras, panties, shape wear and others.

Bras

The following table sets forth some examples of our bras.

Product	Major Customers	Product Features	Year of Launch	Pictures
Victoria's Secret's T-shirt Bra	LBrands	<ul style="list-style-type: none"> Smooth, sexy and made to disappear under the sheerest of cotton 	2014	

BUSINESS

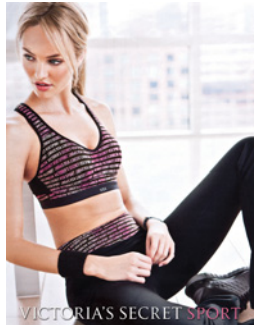
Product	Major Customers	Product Features	Year of Launch	Pictures
WARNER'S Unbelievable Unwire	PVH	<ul style="list-style-type: none"> Replace the wire with plastic strips to increase the comfort level 	2013	
Comfort Devotion (Demi)	Maidenform	<ul style="list-style-type: none"> Significantly increase wearing comfort through the use of a special brush technique which softens surface materials together with the pairing of the foam 	2012	

Sports Bras

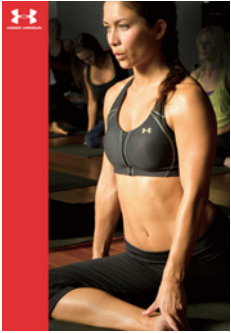
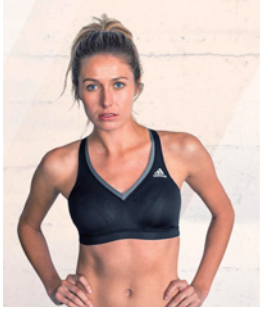
Supported by our knowledge of comfort and functional requirements of intimate apparel accumulated in the production of intimate wear over the past fifteen years and our skill bases on craftsmanship, materials and product structure accumulated throughout the years, we successfully developed several sports bras which are innovative in the sports bra industry for our customers in 2011.

Based on our experience, when our quality customers in the intimate wear industry decide to expand their sports bra business, they typically choose to work with us, thereby bringing us significant business opportunities. For those sports brands which did not work with us before, considering our track record of product development with a focus on comfort and functional requirements of intimate apparel and our technology advantages accumulated in the production of bras, they are more willing to work with us.

The following table sets forth some examples of our sports bras.

Product	Major Customers	Product Features	Year of Launch	Pictures
Victoria's Secret's Incredible Sports Bra	LBrands	<ul style="list-style-type: none"> Maximum support in size A-DDD, padded straps and bands for comfort with every move, cushioned underwire 	2011	

BUSINESS

Product	Major Customers	Product Features	Year of Launch	Pictures
Armour Bra	Under Armour	<ul style="list-style-type: none"> Seamless technology eliminates painful rubbing and chafing Removable cup pads which deliver support and a streamlined silhouette, and are built specifically for different sizes and performances 	2011	
Running Bra	adidas	<ul style="list-style-type: none"> High support molded cup, different design feature between different cup range. Uses a plastic wire for larger sizes 	2013	



Bra Pads and Other Molded Products

A bra pad is the major component of a bra which directly affects the functionality and wearing comfort. In addition to finished products, i.e. bras, we also develop, manufacture and sell bra pads to other intimate wear manufacturers for their onward sale to intimate wear brand companies. Our other molded products primarily include molded shoe uppers for functional sports footwear. Our molded shoe uppers are seamless, stitchless and effectively enhance the appearance and comfort of shoes and related products. This line of business has been our business focus in recent years.

Functional Sports Products

We have been able to leverage existing expertise on lingerie manufacturing and expand into adjacent product areas and to deliver break-through innovations in the sporting goods industry. We commenced the design and manufacture of functional sports products in 2011. Our functional sports products include sports footwear, functional seamless sportswear and wearable related sports products. The following table sets forth some examples of our functional sports products.

BUSINESS

Product	Major Customers	Product Features	Year of Launch	Pictures
SpeedForm Sports Footwear	Under Armour	<ul style="list-style-type: none"> Ergonomic uppers and seamless heels provide great support and coverage for the feet Ultrasonic sewing technique provides skin-like touch and breathable and durable uppers 	2013	
CrossFit Functional Seamless Sportswear	Reebok	<ul style="list-style-type: none"> Graduated light weight compression Antimicrobial and playdry Bonded back seams 	2013	

Going forward, we intend to leverage our experience and market-leading position in the intimate wear industry to further expand the range of product offerings under our sports products business so as to continue to grow our business, broaden our customer base through diversified product portfolio, and deepen relationships with our customers.

PRODUCT FUNCTIONAL AND PERFORMANCE DESIGN, RESEARCH AND DEVELOPMENT

Overview

We place great emphasis on innovation and research and development, as we believe that it is the cornerstone to our competitiveness, growth and development. We believe that our focus on product functional and performance design, research and development is key to our past and future successes. Our IDM business model has brought us the following key competitive advantages with respect to product functional and performance design, research and development:

- Cross-industry innovations.* We strive to develop break-through products to lead the industry. We are able to generate, grasp and realize ideas and develop technologies across multiple industries and product lines. Our sports footwear products are the best examples of our success in cross-industry and cross-product-line innovations. We believe our strong product design, research and development capabilities are critical to successfully building and maintaining our leading market position globally.

- *Leading functional design capabilities.* We focus on optimizing the functionality of our products, and we efficiently commercialize new product functional and performance designs. As a result, we believe that we have become an important product development partner for our leading brand customers. As we focus on the research and development of raw materials, functionality and comfortability, our products can fulfill our customers' high-quality and sophisticated requirements.
- *Integration of up- and down-stream resources.* In addition to working closely with our customers on product development, we also closely monitor the trend of technology revolutions across multiple industries, integrate up-and down-stream resources in the industry value chain and take part in core stages related to research and development. We jointly develop new raw materials with well-known suppliers in the intimate wear industry, including Inoac, Pacific Textiles and Best Pacific while, at the same time, working together with other raw material suppliers such as world-renowned chemical engineering companies Henkel and Bluestar, to develop innovative functional materials and application solutions. Some of these materials are exclusive for our use only. Such collaborations effectively differentiate our products from those of our competitors. See “— Suppliers and Raw Materials” for details.

We strategically focus on the design and development of high value-added products which we believe have a higher growth potential. We interact with our customers periodically and proactively present our latest product innovations to them. Due to our strong research and development capabilities, we were able to present no less than 100 different styles of intimate wear products and functional sports products to our customers in Fiscal 2013, and over 300 different styles of intimate wear products and functional sports products to our customers in each of Fiscal 2014 and Fiscal 2015. See “— Design, Research and Development Process” below for details. In Fiscal 2013, 2014 and 2015, our research and development costs were HK\$96.4 million, HK\$110.1 million and HK\$125.8 million, respectively, accounting for 3.3%, 2.9% and 3.0%, respectively, of our total revenue during the same periods. Investments in research and development include mainly salaries and benefits for our research personnel. We plan to continue to invest in product functional and performance design, research and development and focus on innovations in order to remain competitive.

Our In-house Product Functional and Performance Design, Research and Development Capability

As of the Latest Practicable Date, we had an in-house staff of approximately 900 employees in our product design, research and development department dedicated to product development and technology advancement. We employ a dedicated product design, research and development team for each of our major customers. We believe this arrangement ensures greater specialization of each brand while simultaneously protecting confidentiality of each brand customer's trade secrets and other intellectual property rights. Our design, research and development department is headed by our chief research and development and design officer, who has over 16 years of experience in the intimate wear industry. He led the development of several innovative intimate wear products. Some of the members of our product design, research and development team are recruited from the universities or institutes that specialized in design

and manufacturing with which we have a long-term cooperation. They start from entry level positions to pursue a promising career path with our company under a well-established talent development and promotion system. Among these employees, some have become core members of our team. We have a well-established internal promotion system to cultivate talents and we are committed to proactively build talent pool to maintain our industry leading research and development capacity in the future.

Bra cup molding is the key process in producing bras. We believe that both good CNC milling machines and experienced bra molding designers are indispensable to assure molding quality and cup shape conformity. As of the Latest Practicable Date, we had 79 sets of CNC milling machines which, according to the Frost & Sullivan Report, outpaced most other bra manufacturers in the world. We believe experienced bra molding designers are capable of adjusting parameters of CNC milling machines to ensure production precision and quality. As of the same date, our in-house design, research and development department comprised approximately 50 bra molding designers who have on average worked for us for eight years. They have in-depth knowledge of products and have accumulated a broad range of applicable skills. As a result, we believe we have strong molding capabilities in the industry. In addition, over the years, we have accumulated extensive product development database which enables us to develop new technologies and products more efficiently.

According to the Frost & Sullivan Report, many mainstream engineering skills or widely used technologies in today's intimate wear industry were originally developed or implemented by us.

- In 1999, we introduced the CAD/CAM technology which can effectively solve issues frequently encountered in the traditional manual production process, such as imprecision, inefficiency and inferior quality. Moreover, this new technology can facilitate the rapid fabrication of bra cup molds. Such technology has become the mainstream engineering skill for mid- to high-end intimate wear manufacturers.
- In 2003, we jointly developed a hemming skill with two European suppliers to manufacture seamless and stitchless bras. This skill can effectively enhance the appearance and comfort of bras and has become a popular practice within the industry.
- In 2004, we introduced the hot melt adhesive technology. Compared with the traditional method, it is more environment-friendly and carries the advantages of faster coating speeds, lower energy consumption and higher breathability. This technology has been widely adopted within the industry by companies that manufacture high-end products.
- In recent years, we also introduced the injection molding technology and 3D printing technology, both of which are examples of cross-industry technology transfers in the intimate wear industry.

We undertake the majority of our research and development activities in-house. We also collaborate with our brand customers and raw material suppliers to develop new products, raw materials or technologies. According to our arrangements with our brand customers, we retain the proprietary right to developed patents and other intellectual property rights. We also retain

BUSINESS

rights to self-developed patents and other intellectual properties. In addition, according to our arrangements with our suppliers, we have the exclusive right to produce certain types of product using the jointly developed raw material.

We were certified as a municipal research and development center (Technology Center) by the Shenzhen municipal government in 2011. We were granted a national laboratory certificate (國家實驗室認可證書) by the CNAS in 2011. We were also recognized as a high and new technology enterprise by the Shenzhen municipal government in 2007.

In recognition of our continuous technological breakthroughs and innovative products in the industry, we received the German reddot award 2014 and the Femmy Award by the U.S. Underfashion Club in 2010. We were granted the Enterprise Award jointly presented by DHL and South China Morning Post in 2006 for excellence in innovation, research and development. In addition, we are also consistently recognized by our customers for excellence in innovation, research and development. We were granted the Apparel Rookie of the Year Award presented by Under Armour in 2011 and the PVH Product Innovation Award presented by PVH in 2012 and 2014.

As of the Latest Practicable Date, we had a total of 81 issued patents globally. See “— Intellectual Property” for details. Among the 81 issued patents, we believe that 12 are critical to our achievements. The following table sets forth details of our major patents.

Patent Name	Features	Jurisdiction	Expiry Date	Patent Number
Brassiere	A one-piece molded bra which incorporates a seamless breast cup structure, providing seamless comfort	U.S.	January 21, 2023	7,179,150
Back wing for brassiere	Apply 100% spandex to the back wing. Through the ultrasonic welding process, it makes the back wing smoother, more elastic, stronger, more durable and lighter and ensures the wearing support and comfort	PRC	April 16, 2020	ZL 201020164100.5
		U.S.	July 7, 2030	8,221,188
Improved support structure for a brassiere	Apply an improved support structure to the cup in the brassiere, and it is shaped to follow the lower curve of a wearer’s breasts, which strengthens the support for the breasts and improves wearer’s wearing comfort	PRC	February 24, 2021	ZL 201120050955.X
		Japan	November 15, 2021	3173285
		Hong Kong	October 27, 2019	1153345

BUSINESS

Patent Name	Features	Jurisdiction	Expiry Date	Patent Number
Brassieres	Achieve different composition by piecing materials together with ultrasonic which gives different hand feels for different parts of the cup	U.S.	November 21, 2031	8,388,406
Cushioned Brassiere	Molded brassiere cup reducing the underwire pressure to a wearer's body, thus enhance comfortable feeling	Japan U.S. Hong Kong	June 14, 2020 August 21, 2030 August 7, 2020	3162257 8,419,503 1179461
Breast cup assembly and a brassiere incorporating such a breast cup	Brassiere cup using gel padding which keeps a natural touch	U.S.	November 3, 2032	8,956,199
Footwear	New type of footwear which uses molded uppers. The uppers have seamless inner surface which is achieved by ultrasonic and bonding. Light, tidy and great comfort for the wearer	PRC	August 29, 2021	ZL 201120318319.0

Design, Research and Development Process

Our research and development process for a new product typically takes four to 12 weeks, depending on the nature of the product or technology. We are typically responsible for the design, research and development of product functions and features while our brand customers are typically responsible for the exterior design of products.

Our research and development process for a new product or technology is typically as follows.

Idea Generation

Our product design, research and development department regularly holds brainstorming sessions across different departments to collect the most updated information regarding the market trend, raw materials, manufacturing technology, production skills, equipment and consumer needs. With the latest information in mind, our research and development can be done from multiple perspectives, and we can also increase the performance of our existing products and come up with a whole new product innovation.

Feasibility Analysis

The product design, research and development department further analyzes initial design concepts produced during the idea generation process to confirm product development projects,

which are then assigned to respective project teams for further development. We have sample development teams specializing in each product line of bras, bra pads, sports bras, sportswear, shape wear, panties and sports footwear. Each of the project teams is usually led by a project supervisor, and comprise a project manager, a designer, a material developer, a mold designer and other supporting members. The respective project teams conduct initial feasibility analysis at an earlier stage of development. We also align initial product development projects with our internal profit target for each product category to assess costs and estimate prices.

Product Planning, Product Engineering and Comprehensive Testing

The project team commences product planning and product engineering based on detailed product designs, including product features, structures, functions, motifs, colors and tones, garment types and ornament style. Our internal laboratory also conducts tests on raw material, work-in-process and prototypes before proceeding to the production of product. All products are subject to various strict fitting and wear test as well as performance tests, before identified as mature and marketable. We own the rights to our prototypes which we developed. Our product design, research and development department also conducts project risk assessment on each project.

Product Testing Center

We have the top-quality testing equipment and hire professional third parties to conduct physical, chemical and wearing functionality testing, environmental testing and hazardous materials control to the apparels and textile fabrics. Our central laboratory holds the quality principles of “science and fairness and satisfaction and high-efficiency” to ensure the quality of our products. Our central laboratory was accredited by the CNAS and world-renowned brand companies such as LBrands.

Solicitation of Orders

We interact with customers regularly, during which we introduce our product prototypes to customers, and solicit orders for next seasons.

Placement of Orders

After our customers place initial orders, our sales team liaises with our customers to refine the prototype and confirm product specifications, such as size range and other product details, before launching the production project. We use these orders, along with pre-orders, to determine our production schedule as well as raw material procurement.

Pre-production

Before the new product officially enter the workshop for production, industrial engineering department and technology department will follow the process flow and use the materials for mass production to undergo a small-scale trial production. The purpose is to discover any possible problem that might happen in the production, and at the same time optimizing the production process to ensure efficient mass production. To ensure the quality of

BUSINESS

the mass production, the trial products also need to undergo various product performance tests including raw material tests, work-in-process and final product tests.

Focus and Milestones

Our ability to continuously and successfully introduce influential and trend-setting new products to the market is significantly attributable to our commitment to innovations. During our design, research and development process, we take into account a variety of factors, including product functionality, consumer wearing experience, raw materials, upcoming market trends, customer requirements and feedbacks and engineering skills. In particular, we endeavor to upgrade our product functions, maximize the fit and comfort of our products, improve our mold design capability and develop new functional raw materials. As we focus on the research and development of raw materials, structure, functionality and comfortability, our products can fulfill our customers' high-quality and sophisticated requirements.

We have continuously introduced and brought to market new technologies and products that lead the technology advancements and breakthroughs in the industry while simultaneously influencing industry trends. We possess a number of exclusive patents on these technologies. Such ability allows us to attract and retain leading brand partners and is critical to the success of our business.

The following table sets forth the milestones of our research and development efforts since our inception.

<u>Year</u>	<u>Major Events</u>
1999	Introduction of computer-aided mold design technology
2000	Launch of gel bra pad with built-in oil bag
2001	Launch of stretch bra pad
2002	Introduction of shaving technology
2003	Introduction of 3D hemming technology
2004	Introduction of hot melt technology
2005	Launch of stretch and cozy cup pads
2006	One-piece seamless bra
2007	Introduce no-show light cup
2008	Launch of memory bra pad
2009	Launch of bra pad that increased cup size
2010	Launch of wire cushion series
2011	Launch of sports bra
2012	Launch of plastic wire
2013	Launch of seamless functional sport shoes
2014	Launch of T-shirt bra

SALES AND MARKETING

We sell and market our products directly through our internal sales and marketing personnel. Our marketing efforts are based primarily on our research and development capabilities and the ability to provide our customers with value-added services as well as the established expertise and experience of our key management personnel, their level of participation in the industry and the contacts such management personnel have developed

BUSINESS

among existing and potential customers in the industry. Our customers require sophistication in product design, production sale, speed and reliable delivery. Over the years, our ability to consistently meet and exceed our customers' high-quality and sophisticated requirements has allowed us to develop strong relationships with our customers and to attract and retain leading international name brand companies as customers. In addition, we visit our customers regularly to present them with our latest technologies and products as well as to gather information, answer questions and provide after-sales support.

The majority of our brand customers are located in overseas markets. While we also sell bra pads to other bra manufacturers, the majority of our customers are brand-name intimate wear and sporting goods companies. As of the Latest Practicable Date, we had over 100 customers covering over 18 brands. As of the same date, we had a sales and marketing team of approximately 100 personnel. They have years of experience and knowledge in the industry and can swiftly respond to our customers' needs while communicating simultaneously with other departments in the company, which enables us to provide better services to our customers.

In Fiscal 2013, 2014 and 2015, our distribution and selling expenses were HK\$74.4 million, HK\$76.0 million and HK\$79.3 million, respectively, accounting for 2.6%, 2.0% and 1.9%, respectively, of our total revenue during the same periods.

Geographic Segments

We categorize our revenue based on the country in which the customer is headquartered. During the Track Record Period, a significant portion of our revenue was derived from sales to customers in the United States. The following table sets out a breakdown of our revenue by geographic region, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.*

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
United States	1,839,750	63.4	2,689,681	70.7	2,955,768	70.5
Europe	185,020	6.4	224,897	5.9	384,770	9.2
Hong Kong	426,243	14.7	427,044	11.2	353,169	8.4
PRC	159,959	5.5	173,611	4.6	170,013	4.1
Japan	50,671	1.7	113,001	3.0	128,384	3.1
South Asia ⁽¹⁾	128,252	4.4	89,358	2.4	72,402	1.7
South-east Asia ⁽²⁾	94,293	3.2	50,784	1.3	70,566	1.7
Other countries/regions ⁽³⁾	19,085	0.7	34,595	0.9	56,937	1.3
Total revenue	<u>2,903,273</u>	<u>100.0</u>	<u>3,802,971</u>	<u>100.0</u>	<u>4,192,009</u>	<u>100.0</u>

Notes:

(1) Includes Bangladesh, Sri Lanka and India.

(2) Includes Malaysia, Indonesia, Singapore, Philippines, Vietnam and Thailand.

(3) Include Taiwan, Turkey, Australia, Colombia and others.

* The products are delivered globally by our customers.

Customers

We are an important product research and development partner and supplier for our major customers. The majority of our customers are internationally recognized intimate wear and sporting goods brands with a large consumer base. Our customers include:

BUSINESS

- *Intimate wear brands:* Victoria's Secret owned by LBrands; Bali and Maidenform owned by Hanes Brands; and Calvin Klein and Warner's owned by PVH.
- *Sporting goods brands:* VSX; adidas and Reebok owned by adidas Group; Under Armour owned by Under Armour; and Champion owned by Hanes Brands.



Each of the brands as set forth above was one of our five largest customers in our respective product categories during the Track Record Period. When selecting our customers, we consider and evaluate a number of factors, including their brand position, growth potential and innovation requirement. We have strategically focused on mid- to high-end brands which we believe have a higher growth potential and require more value-added services. We believe that our ability to identify and work with right partners is key to our rapid growth and success.

In Fiscal 2013, 2014 and 2015, sales to our largest customer, LBrands, accounted for 32.2%, 35.0% and 30.0% of our total revenue, respectively, while sales to our five largest customers accounted for 68.4%, 71.3% and 68.6% of our total revenue, respectively. See “Risk Factors — Risks Relating to Our Industry and Business — Our top five customers accounted for 68.6% of our total revenue in Fiscal 2015 and any decrease in our sales to any of them would materially and adversely affect our operations and financial results”.

Although a majority of our revenue was derived from a limited number of customers during the Track Record Period, over the years, we have developed mutually beneficial and complementary relationships with our major customers. We are not only a supplier for our major customers but also their important product research and development partner. Accordingly, we believe that we will continue to benefit from the attractive growth opportunities in the global intimate wear and sporting goods industries in the future. As we have continuously focused on innovations and developed high value-added products that set out to

meet consumer demand, we have been able to boost our customers' sales, thereby creating a mutually-beneficial relationship between our high-quality customers and ourselves and strengthening our cooperation relationships with them.

Most of our major intimate wear brand customers have been associated with us for more than ten years. We particularly benefit from our 15-year relationship with LBrands, the largest retailer of lingerie in the U.S. Globally, we are one of LBrands' largest suppliers of intimate wear, and also closely partner with them from idea generation through product research and development, to the final delivery of high-quality products. We provide LBrands with high value-added and integrated solutions for the design and manufacturing of products, including the research and development of the structure, functionality, raw materials and engineering skill of products. We also recommend high-quality raw material suppliers to LBrands as part of our collaborative process. Over the years, many of its best-selling products have been developed by us.

Supported by our comprehensive innovation and research and development capabilities and core technologies accumulated in the production of intimate wear, we have been expanding and will continue to expand our product lines into functional sports products which we believe can continue to grow our business and broaden our customer base through diversified product portfolio. Although we have entered into the sporting goods industry for only four years, by leveraging our strong innovation and research and development capabilities, we have developed stable relationships with some of the internationally recognized brands. In particular, we have a strong relationship with Under Armour, an American sports brand. In 2013, working together with Under Armour, we jointly developed the Speedform sports footwear. This product received the German reddot award 2014, and is highly regarded by the market due to its distinctive features.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Group's five largest customers during the Track Record Period and as of the Latest Practicable Date.

During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our customers.

Purchase, Payment and Other Arrangements

We do not have any long-term contracts with any of our customers. Our customers' purchases are made on a purchase order basis. Our customers typically place order forecast six to 12 months in advance, and typically place purchase orders on a monthly basis. We typically grant our customers a credit period of 30 to 120 days. Our customers typically settle their trade payables by bank transfers or letters of credit.

Pricing Strategies

We strategically focus on the development and sale of mid- to high-end products, which enable us to charge a higher margin. The price which we charge varies depending on negotiations with our customers. We typically determine prices of our products by reference to

a number of factors, including production costs, expected profit margins and market analysis of the retail price of the product, while also taking into account other important factors, such as complexity in design and manufacturing and expected level of sales.

PRODUCTION

Our Production Facility

We manufacture all of our products in-house at our production facility and do not outsource our production to third-party manufacturers. We believe that such arrangements enable us to provide better protection of our proprietary know-how and other intellectual property rights as well as accumulating the knowledge and expertise required for optimizing the production efficiency.

We currently operate one facility in Shenzhen, China, for our production facilities, warehouses and offices. It currently occupies approximately 230,000 sq.m. of land with a total GFA of 325,456.22 sq.m. This facility commenced operation in 1998. As of the Latest Practicable Date, our Shenzhen facility was comprised of 26 production buildings.

We generally segregate exclusive production areas for different customers. The size of each segregated production area ranges from a confined portion of a production building separated from other production areas to a whole production building. The segregation of production areas is partly made at the instruction of our customers and serves to protect the proprietary nature of their products and the production processes thereof. Typically, a customer with a large dedicated production area for the manufacture of its products stations its staff at such production building in supervisory, technical, quality control and monitoring capacities. We generally assign dedicated senior production personnel to work exclusively for such customer.

Our Production Process

We have an integrated production control and supply chain management system through which we closely monitor all key stages of our manufacturing processes. Our streamlined and standardized production process utilizes automated technology to optimize production flow and efficiency. The production cycle of our products varies depending on the product produced and specific customer requirements. Typically, bras require 60-90 days to produce, bra pads and other molded products require 30-60 days to produce, and sports footwear require 90-100 days to produce.

We are in the process of implementing the lean manufacturing system to optimize our production process and shorten the internal lead time. We aim to maximize our production efficiency and minimize our inventory levels so that we can swiftly respond to changing customer demand. The principal advantages of the lean manufacturing system are summarized below:

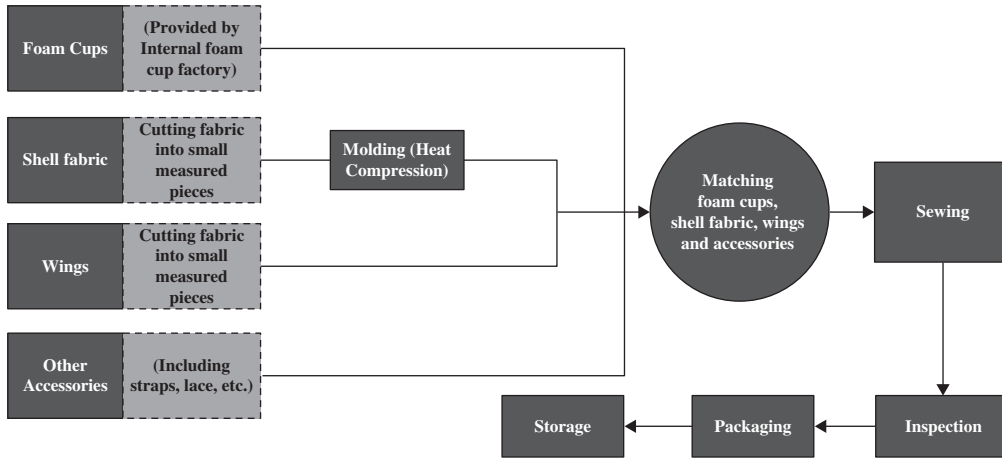
- *Lowering the cost.* By analyzing the production process and making use of the data more efficiently, we are able to avoid unnecessary waste and lower the cost of labor and raw materials and production time so as to reduce our overall production cost.

- *Minimizing the inventory level.* By implementing the lean manufacturing system, we are able to improve the production plan and lower the inventory level in various stages of our manufacturing processes which helps to increase the inventory turnover rate.
- *Shortening the manufacturing processes.* By analyzing the lead time in the stages of manufacturing processes, we are able to carve out the inefficient or unnecessary segments in the manufacturing processes and integrate and optimize the manufacturing processes so as to shorten the order delivery time.
- *Increasing the production efficiency.* By analyzing the standard minute value in the stages of our manufacturing processes, we are able to balance the assembly line process, further optimize resource allocation and increase production efficiency and capacity.
- *Reducing waste.* By standardizing the manufacturing processes as well as introducing the traffic light system and RFID system, we are able to analyze data of every work station, improve the manufacturing processes and lower the product defect rate so as to achieve “Right at the First Time” and avoid unnecessary waste during the manufacturing processes.

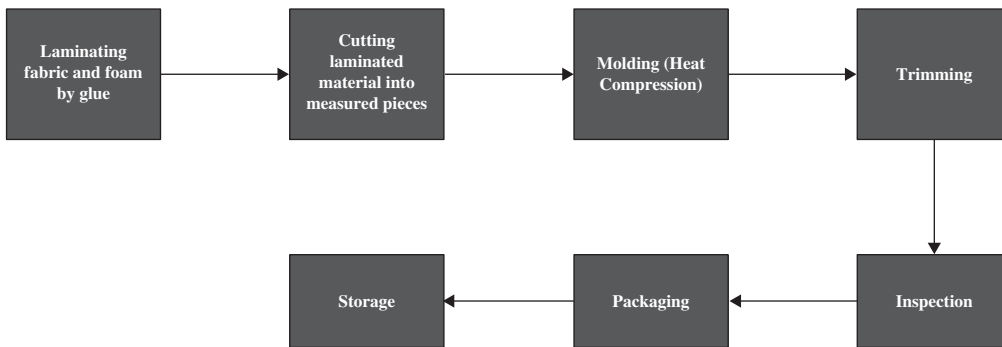
We commenced to adopt and implement the lean manufacturing system in May 2014 and have devoted significant resources to the design and implementation of the lean manufacturing system. Up to the Latest Practicable Date, we have incurred expenses and costs of HK\$2.3 million in connection with the implementation of the lean manufacturing system. The implementation of the lean manufacturing process will not cause any suspension of operations and production. We have a team of independent consultants to provide strategic guidance on the design and implementation of the lean manufacturing system. The team comprises of members with more than 20 years of experience in the implementation of the lean manufacturing system. We have established a task force consisting of different members from different departments and headed by Mr. Hung, our founder and Chairman, to implement the lean manufacturing process. Our task force works closely with our consultants for advice and guidance. Every department and team is charged with different responsibilities in implementing the lean manufacturing system. The operational team is responsible for the day-to-day management of the implementation of the lean manufacturing process. The development team is responsible for establishing the lean manufacturing standards. The strategy team is in charge of the overall production planning.

The following diagrams summarize the key steps of our manufacturing processes for each of our major products.

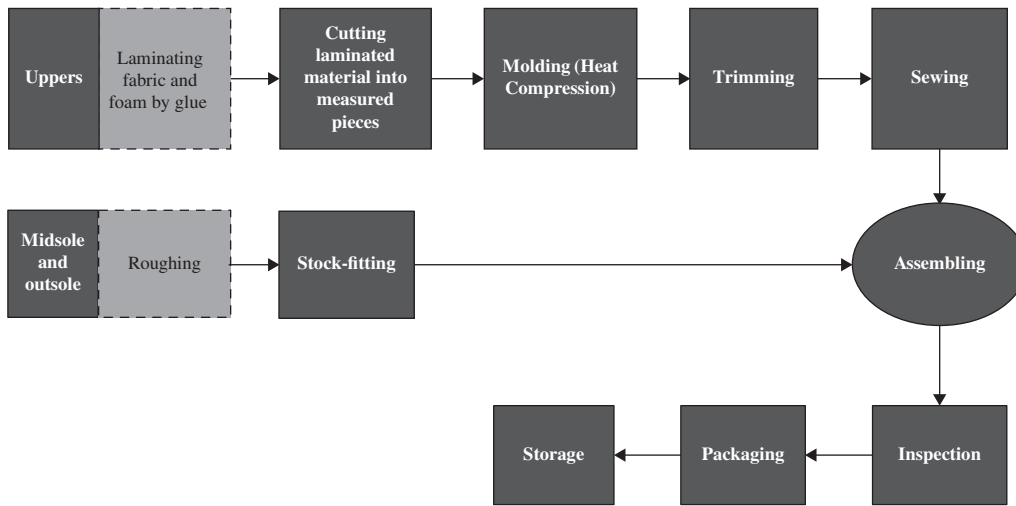
Bras



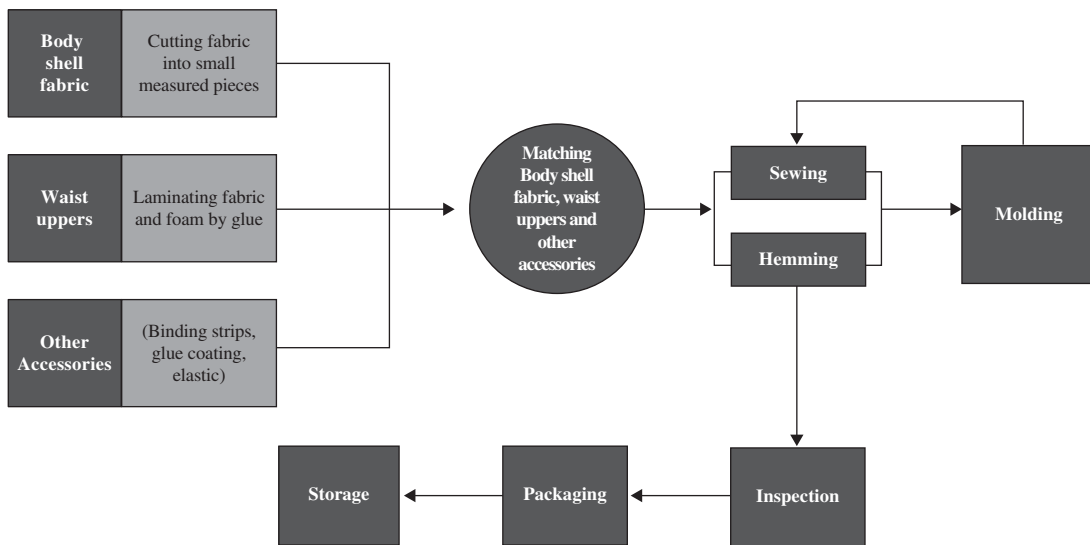
Bra Pads and Other Molded Products



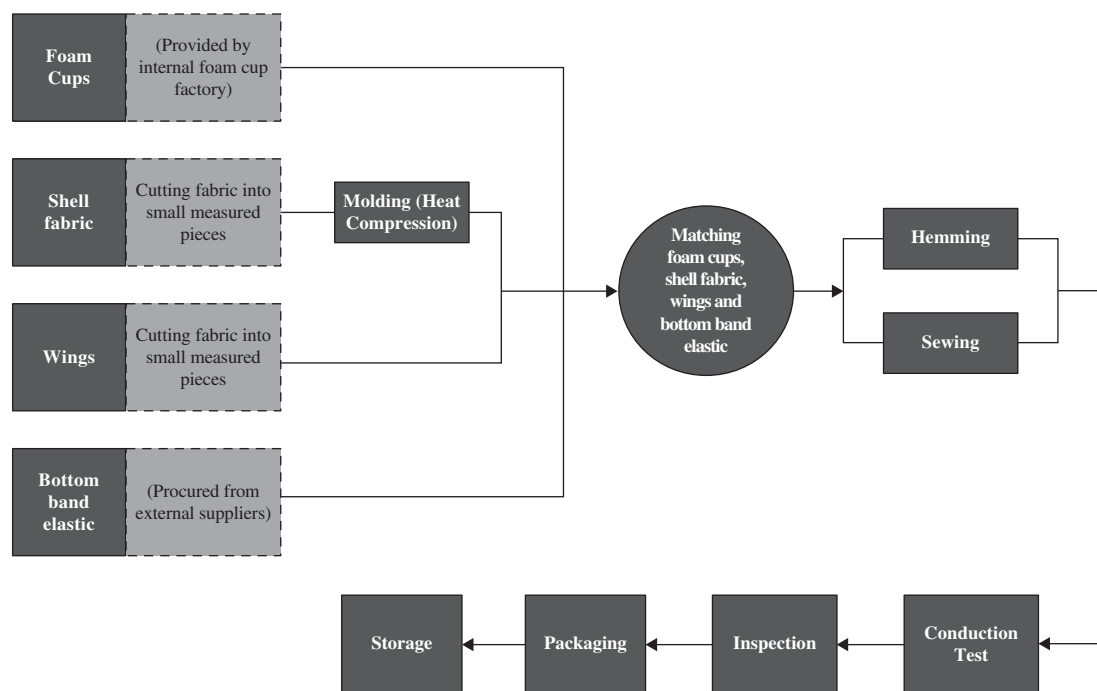
Sports Footwear



Functional Seamless Sportswear



Wearable Related Sports Products



Our Production Capacity and Utilization Rate

As of the Latest Practicable Date, our Shenzhen facility had a total of 393 production lines (367 for bras and intimate wear and 26 for functional sports products) and approximately 2,300 molding machines for bra pads and other molded products. Although our production buildings are tailored to meet the needs of specific customers and product lines, in some cases we are able to re-engineer our machinery and production lines to accommodate the manufacture of other products, thereby allowing us to meet unexpected or sudden changes in production volume.

We have maintained consistently high utilization rates during the Track Record Period. The following table sets forth a summary of our annual production capacity in terms of the number of products and utilization rates for each of our product categories in our Shenzhen facility for the periods indicated.

Product Category:	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾
	(pieces/pairs)	(%)	(pieces/pairs)	(%)	(pieces/pairs)	(%)
Bras and intimate wear	40,700,000	88	51,600,000	90	58,700,000	90
Bra pads and other molded products	106,000,000	90	117,000,000	89	128,000,000	91
Functional sports products ⁽²⁾	670,000	89	1,590,000	87	3,700,000	90

(1) The utilization rate is calculated based on the actual output for the relevant year divided by the actual designed output capacity for the relevant year on an annualized basis.
 (2) The production capacity of our sports footwear was zero, 342,000 pairs and 2,500,000 pairs, respectively, in Fiscal 2013, 2014 and 2015.

BUSINESS

Equipment Maintenance

Major production machinery and equipment used in our production facility include molding machines, hot melt machines, 3D hemming machines, ultrasonic machines, hot-pressed machines, sewing machines and various kinds of testing machines, all of which are readily available from multiple suppliers. We own all of our production machinery and equipment. We regularly monitor and upgrade our production machinery and equipment with an aim to maximizing production efficiency. The average expected useful life and replacement cycle of our major production machinery and equipment is ten to 15 years. As of the Latest Practicable Date, the average age of our major production machinery and equipment was approximately 7.7 years.

We have implemented a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment. This allows us to operate our production lines at optimal levels. We carry out cleaning and maintenance of our production equipment on a quarterly basis to prolong their useful life. Our comprehensive maintenance system helps us to continue to maintain operating efficiency and high-quality control standards. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

Production Expansion Plan

In order to grow our business, we plan to expand our production capacity by constructing additional production facilities in multiple regions. The following table sets forth certain information relating to our new facilities.

Production Facilities	Key Products	Planned Annual Capacity	Estimated Capital Expenditures ⁽¹⁾	Expected Timeline
Hai Phong, Vietnam (First Vietnam facility).	Bras and intimate wear	approximately 45,600,000 pieces	HK\$450 million ⁽²⁾	212 production lines expected to commence operation in the first quarter of 2016.
Hai Phong, Vietnam (Second Vietnam facility).	Bra pads and other molded products	approximately 96,000,000 pairs	HK\$400 million ⁽³⁾	24 production lines and approximately 2000 molding machines expected to commence operation in the third quarter of 2016.
	Functional sports products	approximately 3,600,000 pieces		
Hai Duong Province, Vietnam (Third Vietnam facility).	Sports footwear	approximately 5,000,000 to 6,000,000 pairs	HK\$300 million ⁽⁴⁾	Expected to commence operation in 2017.
Hai Phong, Vietnam (Fourth Vietnam facility).	Sports bras	approximately 20,000,000 pieces	HK\$350 million ⁽⁵⁾	Expected to commence operation in 2018.
	Functional sports products	approximately 10,000,000 pieces		

BUSINESS

Notes:

- (1) The estimated capital expenditures refer to the total estimated capital expenditures expected to be incurred in connection with the establishment of these new facilities in Vietnam for the period up to the corresponding date of commencement of operations.
- (2) The entire amount of HK\$450.0 million is expected to be incurred in Fiscal 2016. As of July 31, 2015, we have incurred HK\$261.5 million in connection with the establishment of this facility.
- (3) Out of HK\$400.0 million, HK\$160.0 million is expected to be incurred in Fiscal 2016 and HK\$240.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.
- (4) We do not expect to incur any capital expenditures for the establishment of this facility in Fiscal 2016. The entire amount of HK\$300.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.
- (5) We do not expect to incur any capital expenditures for the establishment of this facility in Fiscal 2016. The entire amount of HK\$350.0 million is expected to be incurred in Fiscal 2017 and Fiscal 2018.

Our expansion plan is determined based on a number of strategic considerations, such as the expected growth rate of the relevant market (including existing products and new products for existing as well as potential new customers), our historical results of operations (including past production capacity constraints) and our ongoing communications with our customers and our growth potential in the long term. Although we do not have long-term contracts with our existing customers and our customers' purchases are made on a purchase order basis, over the years, we have closely partnered with our existing customers from concept design through product design and development, to the final delivery of high-quality products. We have collaborated with them on product planning and expansion plans and developed long-term, mutually beneficial relationships. As is the case with our continuous cooperation with our existing customers, prior to embarking on our expansion plan, we had a long period of dialogue with our key customers, which involved discussions about each respective party's business plans, product planning, potential demand for existing and new products and expected orders from these customers in the coming years. These discussions enable us to anticipate, identify and timely react to the market trends and understand customer needs so as to facilitate our overall strategy formulation and planning (including with regards to expansion of production capacity), and to capture growth opportunities in different segments of the market.

According to the Frost & Sullivan Report, the global intimate wear industry is expected to reach total retail sales of approximately US\$463.9 billion by 2019, which would represent a CAGR of approximately 7.3% from 2014 to 2019. According to the same report, the global sports footwear industry is expected to reach total retail sales of approximately US\$142.5 billion by 2019, which would represent a CAGR of approximately 9.5% from 2014 to 2019. We believe that our IDM business model has enabled us to build a vast and loyal customer base to capture attractive opportunities in these markets. As the majority of our existing customers are internationally recognized brand owners which generally enjoy a higher sales growth rate than the industry average in their respective markets, we will continue to solidify and strengthen relationships with our existing brand partners to continue to create a mutually beneficial situation for our existing customers and ourselves. In the meantime, we will devote resources to develop relationships with new customers. Our ability to satisfy the demand of our customers has been limited by our production capacity constraints in the past. With the addition of the four Vietnam facilities, we believe we will be able to satisfy the unfulfilled demand from our existing customers, deepen our cooperation with our existing customers through the development of new products as well as increase our ability to attract and work with new customers, all of which we believe justifies our production expansion plan. We also anticipate the continuous expansion of our product portfolio and customer base will lead to an increase in demand for our products and increase our market share in the relevant market. See "— Our

BUSINESS

Business strategies — Continue to expand our intimate wear businesses” and “— Our Business strategies — Further expand our product portfolio” for details of our strategies to increase our market share.

In particular, we expect to add an additional combined planned annual capacity of 13.6 million pieces for our functional sports products from both the second and fourth Vietnam facilities. The capacity expansion plan for our functional sports products is determined based on the strategic considerations as detailed above. In addition, such plan is supported by our historical growth of our functional sports product business since we launched our functional sports products in 2011. During the Track Record Period, revenue generated from sales of functional sports products increased significantly from HK\$39.8 million in Fiscal 2013, to HK\$148.9 million in Fiscal 2014 and further to HK\$476.1 million in Fiscal 2015, representing a CAGR of 245.9%, outpacing that of our other product categories (namely, bras and intimate wear and bra pads and other molded products). Nevertheless, during the Track Record Period, the growth of our functional sports product business was limited by our production capacity constraints, thereby resulting in our inability to accept purchase orders from certain customers. Going forward, with the increased production capacity enabled by our four Vietnam facilities, we will be able to accept more purchase orders from an increasing number of customers. Moreover, exports of functional sports products from Vietnam to the European Union are subject to lower custom duties as compared with exports from China. Therefore, we expect to receive increasing purchase orders for our functional sports products from our existing customers and new customers after our Vietnam facilities commence operation. Finally, the European Union’s Generalized Scheme of Preferences (“GSP”), which allows exporters from developing countries (including Vietnam) to pay less or no duties on their exports to the European Union, have been passed by the European Parliament and the Council of the European Union in 2012, and the Trans-Pacific Partnership (“TPP”), a proposed regional free trade agreement among the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam may be implemented soon. Following the implementation of the GSP and the TPP, we expect to receive more purchase orders for our products from our customers.

Based on the above, our Directors are of the view that our expansion plan is feasible and there is sufficient demand for the products to be manufactured at our new facilities.

With respect to our four Vietnam facilities, we will need to obtain minimum sales orders of HK\$600 million every year (which would represent an annual utilization rate of 15.0%) in order to reach the breakeven point (being the first point in time at which the annual operating revenue is at least equal to the annual total operating expenses including cost of raw materials, employee benefit expenses, utilities and other variable and fixed manufacturing costs).

In addition, we had conducted an extensive market research and survey in Vietnam for two years before establishing our subsidiary and operations there. We opened our Vietnam office in March 2014. Mr. Yiu Ka So, a member of our senior management team, is the general director and legal representative of our Vietnam subsidiary and is responsible for overseeing its operations. We have also sent an experienced team from our Shenzhen facility to Vietnam to help manage our operations there and to train our Vietnamese staff. As of the Latest Practicable Date, our Vietnam team had 74 staff members including five departmental heads. Each departmental head in our Vietnam office has over 10 years of work experience working in

BUSINESS

manufacturing businesses in Vietnam, and have experience in the areas of finance, operations, export-import, human resources and administration. We have arranged various programs to help train Vietnamese staff members at our Shenzhen facility in China to familiarize them with the Group's production procedures, management systems and enterprise culture and core value. In addition, we have cooperation programs with a local training school owned by the Hai Phong local authority to train our garment workers. Going forward, we will continue to recruit candidates who have experience with operations in the Vietnamese market, and our Shenzhen facility will provide full support, including seconding or transferring suitable managerial, operational, technical and other resources, to the Vietnam subsidiary's operations.

We will continue to work with reputable and large suppliers to secure principal raw materials to be used in our production facilities in Vietnam, and ensure that all suppliers satisfy our evaluation and assessment criteria. We plan to import principal raw materials, including fabric and foam, from our existing suppliers located outside Vietnam, and procure other raw materials from local suppliers in Vietnam, prior to the end of 2015. Starting from 2016, we will procure principal raw materials, including fabric, foam and accessories, directly from Vietnam as a number of our existing key suppliers are also in the process of relocating part of their operations to Vietnam to remain in close proximity to us and demonstrate their commitment as our strategic partners. In addition, in order to monitor the production quality and ensure that our products meet all of our and our customers' benchmarks and specifications, we will implement in the Vietnam facilities the same quality control system as currently adopted by our Shenzhen facility. We have sent an experienced quality control team of 10 staff from our Shenzhen facility to Vietnam to help implement our quality control system and to train our Vietnamese quality control staff. Going forward, we will continue to recruit qualified local quality control personnel to bolster our quality control team in Vietnam.

The additional depreciation of property, plant and equipment and amortization of leasehold land to be incurred in connection with our planned 236 production lines and 2,000 molding machines at our first and second Vietnam facilities is expected to be approximately HK\$48.0 million for the first full year of commercial production based on the HK\$850 million estimated capital expenditures. In addition, we expect to incur lower labor costs and tax expenses in Vietnam as compared to the PRC. See "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Our ability to control production costs" for discussions on labor costs in the PRC and "Financial Information — Principal Components of Consolidated Income Statements — Income tax expense" for details on corporate income tax in Vietnam and the PRC. Therefore, our Directors are of the view that our expansion plans in Vietnam will not have any material adverse impact on our financial performance in the near term.

In addition, in order to capture potential opportunities in the PRC market, we plan to construct an additional facility in the Wujiang National Economic and Technological Development Zone in Jiangsu Province, China. In order to position us for these potential opportunities, as a first step, we entered into a memorandum of understanding with the Management Commission of the Wujiang National Economic and Technological Development Zone in August 2014 contemplating an acquisition of a parcel of land with an aggregate site area of 377 mu for our use for a term of 50 years. The site area of the parcel of land to be acquired and the number of phases over which the land is to be acquired will be subject to further negotiation and confirmation of both parties. We paid a security deposit of RMB6.0 million for

BUSINESS

the contemplated acquisition of land to the Management Commission of the Wujiang National Economic and Technological Development Zone in September 2015. We expect to incur capital expenditures in an aggregate amount of HK\$200 million (with HK\$50.0 million expected to be incurred in Fiscal 2016 and HK\$150.0 million expected to be incurred in Fiscal 2017 and 2018), primarily for the payment of land acquisition cost and preliminarily construction costs, in connection with the initial phase of our expansion plan in Wujiang, Jiangsu Province, China. As of the Latest Practicable Date, there has been no update on the progress of the negotiation with the Management Commission of the Wujiang National Economic and Technological Development Zone for the acquisition of the land in Wujiang, Jiangsu Province, China, which has been ongoing since August 2014.

These additional production facilities will expand our manufacturing capacities to meet our future business requirements. In addition, we plan to deploy a more sound production planning system, including a full implementation of the lean manufacturing system in these new facilities to optimize our production efficiency as well as minimizing our inventory level.

We expect to finance the capital expenditures in relation to our expansion plans in Vietnam and Wujiang, Jiangsu Province, China primarily with the net proceeds received from the Global Offering, and to a lesser extent, our internally generated cashflow and/or bank borrowings.

SUPPLIERS AND RAW MATERIALS

The principal raw materials we use in the production of our products include fabric, foam, glue and accessories. We typically work with reputable and large suppliers to secure principal raw materials used in our production process. We carefully select our suppliers and require them to satisfy certain evaluation and assessment criteria. Before we engage a new supplier, our supply chain department evaluates various aspects of a supplier, including its ability to meet our customers' requirements, production capacity and innovation capability. We place great emphasis on a supplier's ability to provide specific materials and to satisfy our specific research and development requirements.

In addition, some of our customers designate suppliers of raw materials that we are mandated to use in manufacturing their products. However, our customers typically do not designate suppliers of functional raw materials.

We have developed stable relationships with our key suppliers over the years. Most of our key suppliers have cooperated with us for more than seven years. Helping our suppliers to progress and achieve cooperation that leads to mutual growth has been one of our core strategies. We have jointly developed new raw materials with world-renowned suppliers in the intimate wear industry while, at the same time, working with other raw material suppliers to develop innovative functional materials and application solutions. Some of these raw materials are provided to us exclusively. Such collaborations effectively differentiate our products from those of our competitors.

Set forth below are our major joint collaborations with suppliers.

- *Inoac*. In 2013, we jointly developed AIR foam with the Japanese firm Inoac. This new material is 70% lighter than traditional foam and also provides full

support without adding extra weight. We applied AIR foam to our product and produced a whole new bra pad that is softer and lighter which in return provides ultimate wearing comfort.

- *Henkel*. In 2011, we and German glue supplier Henkel jointly developed the application solution to utilize the HM-388 hot-melt glue to our lamination process during the production of intimate wear products. The HM-388 hot-melt glue is a custom-made adhesive material which has advantages of high elasticity, high breathability, extreme softness and great anti-yellowing capability. These advantages are more evident when applying to the shape wear and sportswear which we put great efforts in developing. The HM-388 hot-melt glue effectively replaces the traditional solvent-based glue and makes the whole production process more environment-friendly.
- *Best Pacific*. In 2009, we jointly developed 100% spandex fabric with Best Pacific and utilized our adhesive skill to apply this unique fabric on our seamless bras. The 100% spandex fabric is highly elastic, closer fit to body and traceless. It successfully replaces the traditional elastic and performs the best when applying to intimate wear and shape wear.
- *Bluestar*. In 2012, we jointly developed the silicone which is used in our bra pads with Bluestar. This type of silicone is originally used in the medical care industry; however, we managed to place it in bra pads so that it provides a natural skin-like touch with extra softness and comfort.

We generally do not enter into long-term supply agreements. Our raw material purchases are made on a purchase order basis, and we specify the product type, unit price, quantity, delivery timeline and other items in each purchase order we send to our suppliers. We generally place purchase orders with our suppliers after we have received a purchase order from the relevant customer. Payment terms granted by our suppliers vary depending on a number of factors including our relationships with them and the size of the transactions. Our suppliers typically provide us with credit terms of 30 to 75 days. We typically settle our trade payables by bank transfers or bank bills. Delivery charges are typically borne by our suppliers.

The majority of our suppliers are located outside the PRC, and the majority of our raw material purchases are denominated in U.S. dollars. As of the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks in respect of purchases of raw materials. We closely monitor the quality of all raw materials provided by our suppliers to ensure that all raw materials comply with the stringent requirements of our customers. We arrange for our quality control staff to carry out on-site inspections on raw materials at our suppliers' facilities before they are delivered to us. We evaluate our suppliers periodically based on a range of factors, including raw material quality and the ability to meet our delivery timeline, and inform our customers of those who do not pass such review. In addition, we have undertaken other quality control measures for raw materials. See “— Quality Control — Raw materials” for more details. During the Track Record Period, we did not have material disputes with our suppliers.

During the Track Record Period, prices of our key raw materials, including polyester, polyamide and spandex, experienced fluctuations. In order to minimize our exposure from

fluctuation in raw material prices, we negotiate with our customers to increase the sale price of our products to reflect raw material price changes. In addition, we have implemented a number of cost-control measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices. These measures include optimizing production procedures to monitor the use of raw materials and cooperating with suppliers to develop cost-efficient functional raw materials. We have not experienced any shortage of raw materials or quality issues with our raw materials during the Track Record Period that materially affected our operations.

In Fiscal 2013, 2014 and 2015, purchases from our five largest suppliers together accounted for 45.4%, 46.9% and 46.4% of our total purchases, respectively, while our largest supplier for the same periods accounted for 15.7%, 15.4% and 15.0% of our total purchases, respectively. We believe that we have a good working relationship with our key suppliers. See “Risk Factors — Risks Relating to Our Industry and Business — We depend on a stable and adequate supply of quality raw materials which are subject to price volatility and other risks.”

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Group’s five largest suppliers during the Track Record Period and as of the Latest Practicable Date.

QUALITY CONTROL

We emphasize quality control in all aspects of our business. From sourcing of raw materials, production, packaging and inventory storage to sale and delivery, we strictly control the quality of our operations. In order to monitor the production quality and ensure that our products meet all benchmarks and specifications of our customers and ourselves, we have implemented various quality-control checks into our production process.

We have established a quality control center and devoted significant resources to quality management of our products. Our quality control center reports directly to our headquarters and consists of three departments: technology department, quality control department and a laboratory/testing center. As of the Latest Practicable Date, we had 32 personnel in our quality control center, including one quality control director and eight senior managers and 23 department managers. Our quality control director, in charge of the day to day management of our quality control center, has more than ten years of experience in quality control and the apparel industry. The technology department is responsible for establishing quality control standards of our products. The quality control department is responsible for implementing the quality control standards and handling customer complaints. In addition, our laboratory is responsible for developing the procedures for inspection and specification of our raw materials.

We implement an internal quality control system to perform various inspections over the course of the entire manufacturing process. We are required to comply with specific guidelines based on the U.S., EU and other international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products, such as the REACH, SVHC and RoHS. We have been in full compliance with our customers’ stringent quality control requirements.

Our inspections are performed upon delivery of raw materials, during production, prior to warehousing and prior to delivery to the customer.

All of our safety standards for the inspection of our products are based on relevant national standards and industry standards, such as GB18401-2010 (national general safety technical code for textile products), and are updated according to any changes of such national and industry standards. We also were granted a national laboratory certificate by the CNAS in 2011.

In addition, we also participated in the drafting of three sets of the textile industry standards regarding intimate wear manufacture, all of which have been approved by the relevant government authorities. These standards help intimate wear manufacturers to ensure product quality.

Raw materials

We only purchase raw materials from suppliers who have passed our quality and reliability assessment. We require our raw material suppliers to provide us with the Oeko-tex Standard 100 certificate and renew it annually to ensure the quality of raw materials. All of our suppliers are Independent Third Parties. We arrange for our quality control staff to carry out on-site inspections on raw materials at our suppliers' facilities before the delivery of raw materials. We evaluate our suppliers periodically based on a range of factors, including raw material quality and the ability to meet our delivery timeline. We conduct random sample tests or do not conduct any checking on incoming raw materials supplied by qualified suppliers upon delivery to ensure a high-quality, low-cost and rapid supply chain. We test the raw materials in our internal laboratory and return raw materials that fail to pass inspection and such materials will not be used for production.

Production

We strictly follow our customers' high-quality and sophisticated requirements and specifications and all relevant industry standards for the production of our products, including national standards and our internal quality standards. We conduct quality checks at key control points of our production process through our RFT system in order to ensure that the production process is operating properly. Our customers also inspect product quality through their on-site staff. When the finished products are delivered to our warehouses, we test the quality and functionality of each batch of finished products to ensure that these finished products meet our customers' sophisticated requirements. We also conduct sample checks for every batch of finished products prior to the delivery of products.

Transportation

Our packaging department ensures high packaging standards are maintained prior to the delivery of products. We typically adopt FOB Hong Kong as the international trade term. We have our own delivery trucks or hire professional logistics services providers to deliver our products to Hong Kong ports, and our customers are responsible for the shipment and insurance thereon. We also keep track of our products during the transportation through GPS on the delivery truck owned by us or logistics services providers, and purchase insurance for all risks involved with ground transportation.

Warranty and after sales services

Our internal policy requires all customer feedback to be resolved promptly upon receipt. All customer feedback is directed to the relevant sales team responsible for that specific customer to address such feedback through negotiations.

We do not have any written warranty for our products. We typically enter into negotiations with our customers to resolve product quality issues on a case by case basis, and depending on the outcome of our negotiations, our customers may return non-conforming products to us and we may replace such products free of charge. We do not make any warranty provision. During the Track Record Period, we did not incur any warranty expenses.

As a result of our enforcement of strict quality control policies, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies or (ii) receive any material products return requests or material complaints from our customers.

The value of the products returned by our customers in Fiscal 2013, 2014 and 2015 and during the four months ended July 31, 2015 was HK\$1.2 million, HK\$0.3 million, HK\$0.3 million and HK\$0.5 million, respectively.

INVENTORY CONTROL

We have undertaken a number of measures to manage our inventory with a view to reducing inventory surplus and the age of inventory held by us. We believe that we have been successful in maintaining appropriate levels of inventory and continue to strive towards the improvement of our inventory management controls. Our inventory policy is to maintain inventory at a prudent level.

We use our SAP system to assist us in planning and managing our inventory control. Our inventory system software is able to produce real time information of inventories, and provides our management team with clear visibility on the inventory data. Our supply chain department timely monitors our inventories, including inventory levels, inventory age, inventory composition and inventory turnover rate. We also carry out physical stock counts on a regular basis.

We are in the process of implementing the lean manufacturing system to optimize our production process and shorten the internal lead time with an aim to maximizing our production efficiency and minimizing our inventory levels so that we can swiftly respond to changing customer demand.

Raw Materials

In order to avoid accumulating large inventories of raw materials, we generally only place orders for raw materials after we have received confirmed purchase orders from our customers. We also time the delivery of the raw materials required for our purchase orders in a manner that is coordinated with our customers' delivery dates so as to minimize the time we

have to store raw materials prior to production. Our SAP system processes information relating to raw material purchases, including suppliers information and purchase records, and keeps track of the inventory level of raw materials on a real-time basis. We keep a small amount of inventory of certain auxiliary materials, including packaging materials such as boxes and plastic bags, but the cost of these materials is minimal.

Products for Our Customers

Finished goods inventory only occurs where we store the finished products pending shipment to our customers. Our SAP system keeps track of the inventory level of finished goods and itinerary of shipments on a real-time basis. In Fiscal 2013, 2014 and 2015, our inventory turnover days were 82, 67 and 64, respectively.

INFORMATION TECHNOLOGY SYSTEMS

We strive to attain the highest standards in operation management and have developed strong information technology capabilities. Our advanced information technology platform seamlessly integrates the SAP enterprise resource planning system, Fast React production control system, RFID system, GSD system, QI system and PLM system. Our information technology systems enable us to quickly and efficiently retrieve and analyze our operational data and information, including procurement, sales, inventory, logistics, production, customer data and information and financial data and information on a real time basis. We use our information technology systems to assist us in planning and managing our production, budgeting, human resources, inventory control, sales management and financial reporting, thereby improving our operational efficiency. Set forth below is a summary of our advanced information technology platform:

- *SAP system.* The SAP system is a type of enterprise resource planning system which is divided into four modules with different functions, including the sales and distribution module, raw material management module, production planning module, and financial operations module.
- *Fast React production control system.* This is an order schedule planning system which allows production planning department to promptly monitor production loading and capacity, order scheduling, and production scheduling plan.
- *RFID system.* This system records the production progress of each production line on a real-time basis and uses radio frequency identification technology to transmit production-related data (including the production volume, time and labor) to the database to ensure an accurate calculation of workers' compensation and improve the production efficiency. Together with the Fast React system, this system ensures on-time delivery of products.
- *GSD system.* This system provides us with a scientific approach to quantifying manufacturing methods, times and costs so that we can accurately calculate the labor time using the International Standard Time as a guideline. The goal is to enhance the management of standard labor time.
- *QI system.* Developed solely by us, this system helps to enhance our cooperative relationships with suppliers. Under this system, we arrange for our quality

BUSINESS

control staff to selectively carry out on-site inspections on raw materials at our suppliers' facilities before they are delivered to us, and the inspection results are uploaded and shared through the system.

- *PLM system.* This system allows us to manage the entire lifecycle of our products efficiently and cost-effectively. Our research and development department uses this system to manage the entire lifecycle of our products, including raw materials, prototypes, materials sorting, production technology, production plan, production progress and product disposal.

We intend to continue to upgrade our information technology infrastructure to further integrate our existing systems and further enhance our operational efficiency.

RISK MANAGEMENT

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to our operations, including strategic risks, operational risks, financial risks, and legal risks. Our risk management policy sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management and assessing and updating our risk management policy on an annual basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

COMPETITION

We are the industry's number one bra manufacturing company globally based on production volume in 2014, according to the Frost & Sullivan Report. However, we operate in a highly competitive and fragmented industry. We compete with a broad range of intimate wear manufacturing companies globally. According to the Frost & Sullivan Report, the top four players in the global bra manufacturing industry accounted for only 3.5% market share in terms of production volume in 2014. According to the same report, the key barriers to entry in the global intimate wear manufacture industry include, among others, strong research and development capabilities, advanced manufacturing technologies, an efficient supply chain management system, skilled human resources and significant capital investments.

According to the Frost & Sullivan Report, in the intimate wear industry, we have been a pioneer in the area of IDM. According to the same report, the major barriers to entry into the intimate wear IDM market include an effective and collaborative supply network, market insight, industry know-how, long-standing relationships with customers, significant research and development expenses and labor cost and professional talents.

In addition, according to the Frost & Sullivan Report, the global sports footwear manufacturing industry as well as the Chinese sports footwear manufacturing industry have been growing and will continue to grow rapidly. Benefiting from larger economies of scale in the PRC, we have developed pioneering innovation and research and development capabilities in relation to the manufacture of sports footwear and been able to provide high value-added and integrated IDM services to our customers in the sports footwear industry, which, we believe, has resulted in the significant growth in our sports footwear manufacturing operations during the Track Record Period.

We compete with our major competitors in the global intimate wear manufacturing industry and global footwear manufacturing industry on the basis of technology, expertise, range of product offerings, product quality, client recognition and industry reputation.

PROPERTIES

We occupy certain properties in the PRC and Vietnam in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production facilities, warehouses, research and development center, offices and dormitories.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of March 31, 2015, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

Owned properties

As of the Latest Practicable Date, we, under the Cooperative Agreement of Land Development with Shenzhen Gongming Yulv Joint Stock Company (深圳市公明玉律股份合作公司) (formally known as Baoan Gongming Yulv Economic Development Corporation (寶安區公明鎮玉律經濟發展公司)), an independent third party, held three parcels of land located in Yulv, Guangming New District, Shenzhen, with a total area of approximately 35,101 sq.m.. We constructed three buildings with a total GFA of 22,665.57 sq.m. (the “**Self-constructed Properties**”) on these three parcels of land, comprising of a research and development center with a total GFA of 8,795.11 sq.m. and two staff dormitories with a total GFA of 13,870.46 sq.m. In addition, as of the Latest Practicable Date, we owned 16 units located in Nanshan District and Baoan District, Shenzhen with a total GFA of 1,826.31 sq.m. as staff dormitories. Among the above owned properties, the 16 units have been mortgaged as guarantee for a credit facility in favor of Hang Seng Bank (China) Limited (Shenzhen Branch).

As advised by our PRC legal advisors, we have obtained fire safety certificates for the Self-constructed Properties and we have obtained relevant certificates and/or permits and legally own and occupy all 16 units mentioned above. We do not have relevant certificates and/or permits for the three parcels of land and the Self-constructed Properties. See “—Shenzhen Guangming Properties” in this prospectus for details.

Leased properties

As of the Latest Practicable Date, we entered into 28 lease agreements in China with a total GFA of 425,499.45 sq.m., of which 325,456.22 sq.m. are production facilities, warehouses and offices. The remaining 100,043.23 sq.m. are dormitories, canteens or other ancillary facilities. These buildings are located at Gongming Street, Guangming New District, Shenzhen. The lessors of the properties are Shenzhen Gongming Yulv Joint Stock Company (深圳市公明玉律股份合作公司) and various individuals.

BUSINESS

The lessors of these properties do not possess ownership related certificates and/or permits except for the property of a GFA of 48,646.6 sq.m. we leased from Shenzhen Gongming Yulv Joint Stock Company. See “— Shenzhen Guangming Properties” in this prospectus for details.

As of the Latest Practicable Date, we leased approximately 152,889 sq.m. of land from VSIP Hai Phong Co., Ltd located in VSIP in Hai Phong, Vietnam, Thuy Nguyen District, Dinh Vu-Cat Hai Economic Zone, Hai Phong City, Vietnam. We are constructing production facilities, warehouses, offices and a research and development center on the land with an estimated GFA of 251,300 sq.m. See “— Properties Currently under Construction” for further details. The leases of the land will expire on December 11, 2058.

As of the Latest Practicable Date, VSIP Hai Phong Co., Ltd confirmed that it is in the process of obtaining its land use right certificate for all parcels of land we leased and has submitted all required application documents. Our Vietnam legal advisors further advised that it is not a regulatory obligation of our Group, being the leasee, to obtain the land use right certificate in order for us to have the right to use the land. The absence of such certificate will not affect our contractual right to use or operate our business on the land. As required by relevant Vietnam laws, our leases with VSIP Hai Phong Co., Ltd have been notarized by a public notary, who confirmed in writing that such leases are in compliance with the laws of Vietnam. Our Vietnam legal advisors confirmed that (i) a public notary office is empowered under the Vietnam laws to give such confirmation as part of the notarization, and (ii) the leases are in compliance with the laws of Vietnam.

We have also agreed to lease two additional parcels of land with a total area of approximately 221,614 sq.m. from VSIP Hai Phong Co., Ltd and VSIP Hai Duong Co., Ltd and have paid 10% deposit. We are in the process of completing relevant filing and other administrative procedures and the lease agreements are expected to be executed by the first quarter of 2016.

Properties currently under construction

As of the Latest Practicable Date, we had constructions underway in Vietnam with a projected total construction cost of approximately HK\$470 million, of which approximately HK\$390 million had already been utilized. The construction cost is expected to be funded with cash flows from our operations and/or borrowings under our credit facilities. Construction of production facility is expected to be completed by the second quarter of 2016 and the outstanding construction cost shall be repaid at same period.

Our Vietnam legal advisors have confirmed that, as of the Latest Practicable Date, we had obtained the required construction permit for all of the properties with a total size of 251,300.00 sq.m. under construction in Vietnam.

BUSINESS

Save as disclosed above, none of the properties held or leased by us has any material encumbrances, environmental issues, litigation, breaches or defects.

Please see below a summary of our properties:

Description of property	Use of property	Size (sq.m.)	Description of property
China:			
Yulv, Guangming New District, Shenzhen	Land	35,101.00	Held land
	Research and development center; staff dormitories	8,795.11 13,870.46	Owned buildings
Nanshan and Baoan District, Shenzhen	Staff dormitories	1,826.31	Owned units
Yulv, Guangming New District, Shenzhen	Dormitories, canteens or other ancillary facilities	100,043.23	Leased buildings
Yulv, Guangming New District, Shenzhen	Production facilities, warehouses and offices	325,456.22	Leased buildings
Vietnam:			
Hai Phong, Vietnam	Land	152,889.00	Leased land
	Production facilities, warehouses, offices and research and development center	251,300.00	Buildings under construction
Hai Phong, Hai Duong, Vietnam . . .	Land	221,614.00	Land agreed to lease by first quarter of 2016 with 10% of the lease value paid

Shenzhen Guangming Properties

Overview

As advised by our PRC legal advisors, any properties that do not have the required land use right certificates pursuant to the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) and planning and construction permits pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法) and the Construction Law of the PRC (中華人民共和國建築法) are considered as illegal constructions, which will then not be able to apply for property ownership certificates.

As of the Latest Practicable Date, the total GFA of our Self-constructed Properties and leased properties in China was 448,165.02 sq.m. As advised by our PRC legal advisors, we and the relevant lessors do not possess the required ownership related certificates and/or permits for these properties, except for the property of a GFA of 48,646.6 sq.m. we leased from Shenzhen Gongming Yulv Joint Stock Company. These properties are located in Yulv, Guangming New District, Shenzhen and have a total GFA of 399,518.42 sq.m. (the “**Shenzhen Guangming Properties**”). The Shenzhen Guangming Properties consist of production facilities, warehouses, offices, a research and development center with a total GFA of 285,604.73 sq.m. (the “**Shenzhen Guangming Operations**”) and other auxiliary facilities with a total GFA of 113,913.69 sq.m. As of the Latest Practicable Date, the production facilities in Shenzhen Guangming Operations are used for producing bras and intimate wear, bra pads and other molded products and functional sports products, with an estimated annual production capacity of 76.5 million bras and intimate wear, 130 million bra pads and other molded products, and 4.6 million functional sports products. The revenue derived from the Shenzhen Guangming Operations in Fiscal 2013, 2014 and 2015 are estimated to be HK\$2,415.5 million, HK\$3,247.7 million and HK\$3,580.0 million, respectively, and based on such estimates would have represented approximately 83.2%, 85.4% and 85.4% of our total revenue for the respective periods.

Remedial measures taken/to be taken for Historical Illegal Constructions

As advised by our PRC legal advisors, approximately 226,652.42 sq.m. of Shenzhen Guangming Properties are qualified as Historical Illegal Constructions and these constructions have been filed at the relevant sub-district government authorities within the specified time period pursuant to the Decision and other relevant regulations. For details of Historical Illegal Constructions left over due to the rural urbanization in China, the Decision and relevant government measures in confirming such ownerships, See “Regulatory Overview – Relevant Laws and Regulations on Handling Illegal Constructions Left over from the Process of Rural Urbanization” in this prospectus. However, since Shenzhen Guangming Properties are not located in any of the pilot scheme areas designated by the Shenzhen Government, the lessors of Shenzhen Guangming Properties and us are unable to take further steps to apply for property ownership certificates for the Historical Illegal Constructions of the Shenzhen Guangming Properties pursuant to the Pilot Scheme.

The Decision and Pilot Scheme do not refer to any illegal constructions built after May 27, 2009, and therefore any properties that built after May 27, 2009 and without the required certificates and/or permits are not considered as Historical Illegal Constructions (the “**Non-Historical Illegal Constructions**”). As advised by our PRC legal advisors, and based on the interviews with and confirmation letters received from the relevant government authorities as mentioned below, it is expected that the Shenzhen Government will continue to introduce measures or schemes to manage the Non-Historical Illegal Constructions gradually. However, there are no explicit measures in relation to arrangements and procedures for confirming ownership of the Non-Historical Illegal Constructions promulgated by the Shenzhen Government as of the Latest Practicable Date. As advised by our PRC legal advisors, approximately 172,866.00 sq.m. of Shenzhen Guangming Properties are Non-Historical Illegal Constructions and these are not owned by us. Therefore, it is beyond our control to take remedial actions to rectify the title defects in respect of the Non-Historical Illegal Constructions of the Shenzhen Guangming Properties.

Based on the interview with the Guangming branch of Urban Planning, Land and Resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會光明管理局) (the “**Shenzhen Land Commission**”) conducted by our PRC legal advisors on March 13, 2015, it was confirmed that (i) the Shenzhen Guangming Properties do not fall into the categories that would require demolition or expropriation pursuant to the Decision; and (ii) the risk of the Shenzhen Guangming Properties being demolished or expropriated is remote since Shenzhen Land Commission has never received any requests of demolishing or expropriating Shenzhen Guangming Properties by any government authorities. As advised by our PRC legal advisors, Shenzhen Land Commission is the competent government authority to identify and handle illegal constructions related matters.

Based on the interview with the Gongming Subdistrict Office of Shenzhen Guangming District (深圳市光明新區公明辦事處) (the “**Gongming Subdistrict Office**”) and its Yulv residents committee (深圳市光明新區公明辦事處玉律居民委員會 (the “**Yulv Residents Committee**”)) conducted by our PRC legal advisors on March 13, 2015, it was confirmed that (i) the Shenzhen Guangming Properties do not fall into the categories that would require demolition or expropriation pursuant to the Decision; (ii) the Shenzhen Guangming Properties are not expected to be included in any demolition plan or urban renewal plan within a period of five years (the “**Exclusion Period**”); and (iii) the risk of the Shenzhen Guangming Properties being demolished or expropriated is remote since Gongming Subdistrict Office and Yulv Residents Committee have never received any requests of demolishing or expropriating Shenzhen Guangming Properties by any government authorities.

We received a confirmation letter from Gongming Subdistrict Office and Yulv Residents Committee dated April 8, 2015, confirming that (i) the Historical Illegal Constructions of Shenzhen Guangming Properties have made relevant filings at the competent authorities within the specified time period in accordance with the Decision and relevant regulations in Shenzhen and the relevant government authorities are in the process of handling such application; (ii) it is expected that the relevant government authorities will introduce measures to manage the Non-Historical Illegal Constructions, including the Non-Historical Illegal Constructions of Shenzhen Guangming Properties; (iii) the Shenzhen Guangming Properties are not included in any plan for demolition or reconstruction in Guangming District; and (iv) Yulv Residents Committee has undertaken that no demolition will be undertaken at the Shenzhen Guangming Properties during the Exclusion Period. As advised by our PRC legal advisors, pursuant to the Decision, Gongming Subdistrict Office is the competent government authority to accept the filing of Historical Illegal Constructions in Shenzhen Guangming Properties and to issue the aforesaid confirmation. Based on the interview with Shenzhen Land Commission and the confirmation letter from Gongming Subdistrict Office and pursuant to the Land Administration Law of the People’s Republic of China, our PRC legal advisors confirmed that Yulv Residents Committee is empowered to make the aforesaid undertaking.

We also received a confirmation letter from the Shenzhen Land Commission dated May 14, 2015, confirming that the Historical Illegal Constructions of the Shenzhen Guangming Properties, (i) are not referred in any existing land expropriation or transfer record; (ii) are not included in any urban reconstruction planning scheme in Guangming District; and (iii) do not run counter to any of the urban planning projects in Shenzhen.

Undertakings by the lessors

As of the Latest Practicable Date, there has not been any dispute, litigation or other disagreement between the lessors of the Shenzhen Guangming Properties and us regarding the title of the leased Shenzhen Guangming Properties and no breach of lease agreements by either party in respect of the leased Shenzhen Guangming Properties. In addition, there has not been any investigation or penalty initiated by the government relating to the leases or the titles of the leased Shenzhen Guangming Properties as of the Latest Practicable Date.

The lessors of the Shenzhen Guangming Properties have issued respective undertaking letters to us dated June, 2015 (the “**Lessors’ Undertaking**”), pursuant to which the lessors covenanted that (i) they will not take any initiative to require us to move out of the Shenzhen Guangming Properties during the term of relevant lease agreements; (ii) we have an option to renew the lease agreements for another three years upon expiry of relevant lease agreement; (iii) we have an option to early terminate the relevant lease agreements due to the title defects of the Shenzhen Guangming Properties without paying any penalties or compensation; and (iv) they will take all possible remedial measures, pursuant to the measures or schemes to be introduced by the Shenzhen Government, to rectify the title defects in respect of the Historical and Non-Historical Illegal Constructions of the leased Shenzhen Guangming Properties in a timely manner.

The lessors further confirmed that they have made required filings for relevant Historical Illegal Constructions within the specified time period pursuant to the Decision and other relevant regulations and the government authorities are in the process of handling the application.

Under the Lessors’ Undertaking, the lessors further covenanted to us that if the Historical and Non-Historical Illegal Constructions of the leased Shenzhen Guangming Properties are required to be demolished, expropriated or to be imposed on other measures which renders performance of the lease agreements impossible or adversely affect our day-to-day use of such properties, the lessors will compensate us for all losses, liabilities and expenses resulting from such title defects.

Potential risks with respect to the Shenzhen Guangming Properties

As advised by our PRC legal advisors, the potentials risks with respect to the Shenzhen Guangming Properties are set out below. Given that the Group has not received any challenges from the government authorities to vacate from the Shenzhen Guangming Properties, and based on the remedial measures taken by our Company, interviews with and confirmation letters received from the relevant government authorities as mentioned above, our PRC legal advisors are of the opinion that the risk of Shenzhen Guangming Properties being demolished or expropriated is remote and we can continue to use the Shenzhen Guangming Properties.

1. Invalid and unenforceable leases

Our PRC legal advisors advised that there is a potential risk that the relevant government authorities may deem the leases of the Shenzhen Guangming Properties invalid and unenforceable as the lessors do not possess the relevant certificates and/or permits.

BUSINESS

As of the Latest Practicable Date, there has been no disputes, litigations or other disagreement between the lessors and us regarding the title of the Shenzhen Guangming Properties. Our PRC legal advisors advised that the risk of the leases of the Shenzhen Guangming Properties being deemed as invalid and unenforceable is remote since there has not been any breach of lease agreements in respect of the Shenzhen Guangming Properties by either party and no investigation or penalty was initiated by the government authorities in relation to the leases or titles of the Shenzhen Guangming Properties as of the Latest Practicable Date.

2. Being forced to vacate from the Shenzhen Guangming Properties

Since (i) Gongming Subdistrict Office has consulted and confirmed with the relevant government authorities that the Shenzhen Guangming Properties do not fall into any demolition or reconstruction plan; (ii) the Group has not received any challenges from the government authorities as to its rights to occupy and use the Shenzhen Guangming Properties or any notification to vacate from such properties since the commencement of occupying the Shenzhen Guangming Properties and up to the Latest Practicable Date; and (iii) Yulv Residents Committee has undertaken that no demolition will be taken place to the Shenzhen Guangming Properties during the Exclusion Period, our PRC legal advisors advised that the risk of us being forced to vacate from the Shenzhen Guangming Properties is remote.

Nevertheless, there is a potential risk that we may be forced to vacate from the Shenzhen Guangming Properties due to the defective titles.

3. Right as owner or occupant of the Shenzhen Guangming Properties being adversely affected

According to the relevant PRC laws and regulations, our right as owner or occupant of the Shenzhen Guangming Properties may be adversely affected due to the absence of property ownership certificates, such as our rights to transfer or lease the land and buildings and/or subject the land and buildings to mortgage loans.

4. Fine or administrative penalty

Shenzhen Guangming Properties owned by us

Pursuant to Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), a maximum penalty of 10% of the construction costs (being approximately HK\$2,607,093) may be imposed on the Group for the Self-constructed Properties.

Pursuant to Construction Law of the PRC (中華人民共和國建築法), the Administrative Measures for the Construction Licensing of Construction Projects (建築工程施工許可管理辦法) and Construction Quality Management Regulations (建設工程質量管理條例) of the PRC, a maximum penalty of 2% of the construction costs (being approximately HK\$521,419) may be imposed on the Group for the owned properties.

Shenzhen Guangming Properties leased by us

Our PRC legal advisors advised that the Group is not liable to any fine or administrative penalty should the leases of the Shenzhen Guangming Properties be deemed to be invalid and unenforceable by the PRC court.

Our Directors are of the view that the title defects of Shenzhen Guangming Properties are individually and collectively important to our operation. However, based on the PRC legal advisors' opinions above and the Directors' understanding of this matter, our Directors consider that the possibility that we are required to move out of the Shenzhen Guangming Properties due to the demolition or reconstruction plan in Guangming District is remote and the title defects will not have any material adverse effect on our Group. As such, we have not made any provision and we intend to continue to use and lease the Shenzhen Guangming Properties until the relevant lease expires in October 2019. We will evaluate the latest development of relevant laws and regulations on a regular basis and take actions as the Directors consider appropriate.

Failure to obtain the relevant permits and certificates for properties due to Historical or Non-Historical Illegal Constructions is very common in Shenzhen, therefore the absence of the relevant permits and certificates for the Shenzhen Guangming Properties does not result in any discount on the rent. Based on our experiences, properties in Shenzhen with relevant permits and certificates do not result in any significant premium on the rent charged by the lessors.

To ensure business continuity of our production facilities and to mitigate the potential risk of demolition and expropriation of the Shenzhen Guangming Properties in relation to the Historical Illegal Constructions and/or Non-Historical Illegal Constructions, we implemented a contingency relocation plan. Please see below for further details.

Backup relocation plan of the Shenzhen Guangming Properties

Although we consider that the possibility of being forced to move out and relocate from the Shenzhen Guangming Properties is remote, we have entered into four legally binding pre-lease agreements (each a "**Pre-lease Agreement**" and collectively the "**Pre-lease Agreements**") with three independent third parties, namely Shenzhen Yihaida Investment Company Limited (深圳市屹海達投資有限公司), Shenzhen Hongfa Investment Holdings Company Limited (深圳市宏發投資集團有限公司) and Shenzhen Huahong ICT Technology Company Limited (深圳市華宏信通科技有限公司) (each a "**Backup Plant Landlord**" and collectively "**Backup Plant Landlords**"), as part of our contingency relocation plan.

Pursuant to the Pre-lease Agreements, on or prior to December 31, 2016, we have the right, but not the obligation, to request the Backup Plant Landlords to fix the commencement date of the lease and enter into formal lease agreements with us within 15 days to lease any or all plants located at:

- (i) Hongye Industrial Park, Lezhujiao Huangma Community, Xixiang Road, Baoan District, Shenzhen;
- (ii) Hongao Industrial Park, Intersection of Gongming Genyu Road and Nanming Road, Guangming District, Shenzhen;
- (iii) Hongfa Technology Industrial Park, Shiyan Tangtou Village, Guangming District, Shenzhen; and
- (iv) Huahong ICT Industrial Park, Intersection of Gongming Genyu Road and Nanming Road, Guangming District, Shenzhen,

with a total GFA of 317,193.21 sq.m. (each a "**Backup Plant**" and collectively the "**Backup Plants**").

We have an option to renew the Pre-lease Agreements for another three years if no formal lease agreements were entered into on or before December 31, 2016.

Overview of the Backup Plants

The Backup Plants are located approximately 10 km, 4 km, 4 km, and 4 km away from the Shenzhen Guangming Properties respectively. As of the Latest Practicable Date, the Backup Plants were partially occupied by third parties, but the Backup Plant Landlords confirmed that they will provide vacant possession to us within three months from the date of entering into the formal lease agreements.

As advised by our PRC legal advisors, the Backup Plant Landlords own the legal title and are entitled to lease the Backup Plants, and the Pre-lease Agreements are legal, valid and binding. On the basis that (i) the total GFA of the Backup Plants is 317,193.21 sq.m.; and (ii) total GFA of the Shenzhen Guangming Operations is 285,604.73 sq.m., our Directors consider that the Backup Plants have sufficient space to accommodate the Shenzhen Guangming Operations. To the best knowledge of our Directors, there are other alternative production facilities (other than the Backup Plants) with comparable size and rent within close vicinity of the Shenzhen Guangming Properties available for long term lease.

Salient terms of the Pre-lease Agreements entered into with the Backup Plant Landlords

The salient terms of the four Pre-lease Agreements are substantially the same as summarized below:

- Term:** From date of the Pre-lease Agreement up to and including December 31, 2016. Option to renew the Pre-lease Agreement for another three years if no formal lease agreement was entered into on or before December 31, 2016.
- Subject matter:** We should give written notice to the Backup Plant Landlord as to the commencement date of the formal lease of the Backup Plant by December 31, 2016 or any other date as agreed with the Backup Plant Landlord in writing. A formal lease agreement with the Backup Plant Landlord must be entered into within 15 days from the date of such written notice. The Backup Plant Landlord is obliged to provide vacant possession of the Backup Plant to us within three months from the date of the formal lease agreement, with a term of five years.
- Rental amount:** The rent for all the Backup Plants in the first year is RMB6.52 million per month (equivalent to approximately HK\$8.15 million). Starting from the second year, the rent for all the Backup Plants will increase by 8% per annum over the previous year.

BUSINESS

Deposit: The total deposit amount for all the Backup Plants is RMB430,000 (equivalent to approximately HK\$537,500) and was paid by the Company upon signing of the respective Pre-lease Agreement in April 2015.

Remedy: There is no specific amount of compensation to us if the Backup Plants Landlord fails to provide vacant possession of the Backup Plant(s). However, in such case, the Backup Plants Landlord is obliged to search for alternative plants for us and to bear all additional costs incurred as a result and shall return double of the deposit amount to us. Please see “Risk factors — Risk Relating to Our Industry and Business — Any disruption of our current production facility could reduce or restrict sales and materially and adversely affect our business.” in this prospectus for details of the risks involved.

Backup relocation time frame of the Shenzhen Guangming Operations

In the course of any relocation, to avoid material disruption to our production, our production units can be moved to the Backup Plants in phases. Given that (i) the Shenzhen Guangming Operations are only 4-10 km away from the Backup Plants; and (ii) most of our machinery and equipment are relatively light in weight, each round of transportation of the machinery and equipment by vehicle from the Shenzhen Guangming Operations to the Backup Plants can be completed within 25 minutes. It is estimated that the relocation of the equipment in each phase requires approximately 6 business days (the “**Relocation Period**”), of which 3 business days are for the disassembly of equipment in the Shenzhen Guangming Operations and transfer to the Backup Plants, and another 3 business days are for installation, testing and calibration for the production units. Therefore, we expect our Shenzhen Guangming Operations can be fully ramped up for production within 90 business days from the date we commence the actual physical relocation.

Sufficient employees for the Backup Plants

There were approximately 21,000 employees working in the Shenzhen Guangming Operations as of the Latest Practicable Date, most of whom are skilled labor. Since the Shenzhen Guangming Operations are in close proximity to the Backup Plants, and based on our communications with our employees, we believe that the number of employees who are unwilling to relocate to the Backup Plants is limited. In the event that some of these skilled labor are unwilling to relocate to the Backup Plants, we believe, based on our past experience, that there will be no difficulties in recruiting new employees to work in our Backup Plants and only seven days of training are required for their positions.

We estimated that out of the approximately 21,000 employees in the Shenzhen Guangming Operations, about 2,000 employees are considered to be core employees. The core employees mainly include the senior and mid-level management and leaders of the production

BUSINESS

lines. Based on our communications with these employees, we believe the relocation plan to the Backup Plants will not impact their employment status with us.

Estimated cost of backup relocation plan

We estimate the costs to relocate the Shenzhen Guangming Operations to the Backup Plants will be approximately HK\$19.3 million and in the event of such relocation the costs will be funded by our internal resources.

The table below sets out the breakdown of the estimated cost of relocation:

	Shenzhen Guangming Operations to Backup Plants
	(HK\$ million)
Relocation and testing expenses relating to machinery, production lines and office equipment	17.7
Training and recruitment	0.3
Expansion of canteens	0.8
Relocation insurance	0.5
Total relocation costs	<u>19.3</u>

Estimated loss in the unlikely event of production stoppage arising from the relocation

Our PRC legal advisors advised that, as a matter of administrative practice of the government authorities, a reasonable period of time of approximately three to six months will possibly be granted to us for the arrangement of relocation in the event that Shenzhen Guangming Properties are required to be demolished or expropriated. As such, we believe that we have sufficient time to devise the requisite preparations and execute the relocation of Shenzhen Guangming Operations.

Given that the Shenzhen Guangming Operations will move in phases, the loss in revenue (if any) would only arise from the production stoppage of that group of production units throughout the Relocation Period. If in the unlikely event that the relocation of Shenzhen Guangming Operations is required, the estimated loss would be as follows:

The average daily revenue for the Shenzhen Guangming Operations is estimated to be approximately HK\$14.2 million based on its total revenue in Fiscal 2015 of approximately HK\$4.2 billion divided by 295 working days (i.e. 6 working days per week times 52 weeks less 12 public days and 5 extra days of leave for the Chinese New Year Holidays). On such basis, the daily revenue of the production units in each phase is estimated to be approximately HK\$1.2 million and the maximum loss of revenue for the Relocation Period would be approximately HK\$108 million. In this scenario, the potential loss of revenue due to the relocation of Shenzhen Guangming Operations would only amount to approximately 2.5% of our Group's total revenue in Fiscal 2015 and our Directors believe such loss of revenue will not have any material and adverse impact on our Group's financial performance.

No material disruption to production

Our Vietnam facilities will commence production in the first quarter of 2016, with the proposed annual production capacity as set out in section headed “Business — Production — Production Expansion Plan” in this prospectus. In the unlikely event that we are forced to vacate from the Shenzhen Guangming Operations, our Vietnam facilities will have sufficient production capacity to fulfill the production needs of the Shenzhen Guangming Operations during the Relocation Period and we do not expect any material disruption to our production nor material and adverse impact on our Group’s operation.

Indemnity

With regard to the Shenzhen Guangming Properties, in the case where such properties are required to be demolished or become involved in any disputes, or our day-to-day use of such properties is adversely affected due to the title defects, our Controlling Shareholders have undertaken to indemnify and keep each of our Group members indemnified against all losses, fines or expenditures incurred as a result thereof if the lessors of such properties fail to fully compensate us.

Internal Control Measures

Regarding the leasing and purchasing of properties, to prevent future recurrence of occupying properties with defective titles, our Company has established a policy regarding selection and approval of leasing and purchasing of properties. The policy has defined clear internal control measures we will adopt as follows:

- (i) Designated Mr. Yiu Ka So, a senior management, to overall handle leasing and purchasing of properties and registration of leases, and to monitor the progress of registration with the relevant landlord.
- (ii) Implement a formal request and approval form and define a management level for approval for the process of leasing and purchasing of properties.
- (iii) Establish a compliance checklist for processing leases. The compliance checklist will include the timeframe for the leasing procedure, due diligence procedures to be performed on the landlord and documents to be obtained/inspected from the landlord.
- (iv) Involve an internal or external legal expert to perform due diligence on relevant landlord to confirm the title of the property, and assist the Company to confirm the validity of the documents obtained from the landlord.
- (v) Mr. Yiu Ka So, a senior management, will monitor work as to the validity of the title and/or the registration of the lease in respect of the property in question, and report to Mr. Yiu Kar Chun Antony, our Chief Financial Officer, who was designated to supervise the compliance related matters at Group level. Mr. Yiu Kar Chun Antony will report to the Board on regular basis.
- (vi) The Board will prudently review future properties, particularly the nature, designated usage and the underlying title of the relevant properties.

BUSINESS

Furthermore, the following entity-level control measures have been designed and implemented in order to prevent the recurrence of any of the aforementioned non-compliance matters in the future:

- (i) To ensure the Group's compliance with applicable laws, regulations and rules, Mr. Yiu Ka So, a senior management, is responsible for monitoring day-to-day compliance related matters. Mr. Yiu Ka So will report, on periodic basis, to Mr. Yiu Kar Chun Antony, our Chief Financial Officer, who was designated to supervise the compliance related matters at Group level. Mr. Yiu Kar Chun Antony will report to the Board on compliance related matters and is authorized to enlist the professional assistance and advice of external professional advisors if and whenever deemed appropriate or necessary.
- (ii) Upon Listing, an audit committee will be set up to ensure proper internal control, with written terms of reference in accordance with Appendix 14 to the Listing Rules, to review our internal control and risk management systems and monitor the effectiveness of our internal audit function. The Company's internal audit will regularly monitor key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended.
- (iii) Independent internal audit consultants will be engaged by the Company to perform regular reviews of the Group's material internal control measures on an annual basis. The independent internal controls consultant to be appointed shall be a professional firm specializing in corporate governance, internal audit and internal control review services and which has the relevant experience in providing internal control review services to listed companies.

In addition, we have appointed Guotai Junan International as our compliance adviser with effect from the date of the Listing to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Our Company has taken all reasonable steps to establish a proper internal control system as recommended by our internal control consultant and the Directors consider that the implementation of the internal control measures outlined above can prevent the recurrence of our previous identified non-compliance incidents. As such, our Directors are of the view that our enhanced internal control measures are adequate and effective, and the Sole Sponsor, taking into account the internal control consultant's view and discussion with the senior management of the Company, does not have a reasonable ground to disagree with our Directors' foregoing view.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our product design, trade secrets and other intellectual property rights. As of the Latest Practicable Date, we had 95 registered trademarks in China, 16 registered trademarks in Hong Kong and 38 trademarks registered in other countries. As of the same date, we also had five pending trademark applications in the PRC and Hong Kong. In addition, as of the Latest Practicable Date, we had a total of 81 issued patents (including 26 in the U.S., 19 in the PRC, 11 in Hong Kong, six in Taiwan, seven in Japan, 11 in Europe and one in other countries and regions) and 37 pending patent applications (including 18 in the PRC, ten in the U.S. and nine in other countries and regions). As of the same date, we had 26 domain names.

BUSINESS

For details of our intellectual property portfolio, see “Appendix IV — Statutory and General Information — B. Further information about our Business — 2. Material Intellectual Property Rights of the Group”.

As of the Latest Practicable Date, we have not been sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. Moreover, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See “Risk Factors — Risks Relating to Our Industry and Business — Our intellectual property rights are critical to our success and failure to protect such intellectual property rights may materially and adversely affect our ability to compete.”

INSURANCE

We maintain adequate insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our facilities, equipment and our inventories (including raw materials and finished goods). We have also purchased product liability insurance, key-man life insurance, business interruption insurance and vehicle insurance. In addition, we participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. Our Directors believe that the Group’s insurance policies are adequate and consistent with the common industry practice in the PRC. During the Track Record Period and up to the Latest Practicable Date, we have not received any material insurance claims against us.

EMPLOYEES

As of March 31, 2015 and the Latest Practicable Date, we had 19,539 and approximately 21,000 full-time employees, respectively. Most of our employees are located in Guangdong Province, China. A breakdown of our employees by function as of March 31, 2015 is set forth below.

	Number of Employees	Percentage of Total (%)
Executive Officers	59	0.3
Product Design, Research and Development	934	4.8
Sales and Marketing	100	0.5
Supply Chain Management	359	1.8
Production	15,815	80.9
Quality Control	1,385	7.1
Information Technology	104	0.5
Human Resources and Administrative Personnel	711	3.6
Accounting and Finance	72	0.4
Total	<u>19,539⁽¹⁾</u>	<u>100.0</u>

⁽¹⁾ The number does not include part-time employees.

BUSINESS

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide on-site training periodically and across operational functions, including introductory training for new employees, technical training, professional and management training, team-building and communications training. In addition, we sponsored qualified employees to attend other off-site management and technical training courses. We have a management trainee program for which we recruit annually university graduates in specific disciplines with high management potential.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, and grounds for termination. We have designed an evaluation system to assess the performance of our employees. This system forms the basis of our determinations of whether an employee should receive salary raises, bonuses or promotions. Most of our technical personnel are trained and promoted internally, leading to greater employee stability and loyalty.

We do not use any employment agent. Pursuant to regulations in each of the local jurisdictions where we operate, we make contributions to various employee benefit plans. Employee benefits covered by these arrangements include employee benefits required by PRC laws and regulations as well as incentives for increasing production quantity, accommodations, meals and travel allowances. We also contribute to social security insurance covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and maternity insurance (where applicable) as well as a housing fund for our employees according to the relevant PRC laws and regulations.

As of the Latest Practicable Date, we had one workers' union in Shenzhen, the PRC. We have not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labor disputes. We consider that we have maintained satisfactory relations with our employees.

ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We consider the protection of the environment to be important and have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under the PRC environmental laws and regulations.

We believe that our production process does not generate hazards that have any significant adverse effect on the environment and our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations.

RMIA Shenzhen and RM Shenzhen are subject to PRC environmental laws and regulations. As we have completed the relevant reporting and/or registration procedures in accordance with the applicable environmental protection laws and regulations with the relevant administrative departments of environmental protection and obtained approvals from such

authorities, our PRC legal advisors have confirmed that we are in compliance with the relevant environmental protection laws and regulations. Our operations are subject to regulation by local environmental authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations.

During the Track Record Period, we have not received any complaint from our customers or any other parties in respect of any environmental protection issues, and we have not experienced any material environmental incidents arising from our manufacturing activities. During the same period, no administrative sanctions or penalties have been imposed upon us for the violation of environmental laws or regulations. Our annual cost for compliance with applicable environmental rules and regulations totaled HK\$1.3 million, HK\$1.6 million and HK\$1.5 million, respectively, in Fiscal 2013, 2014 and 2015. We expect annual cost for compliance with applicable environmental rules and regulations in Fiscal 2016 will be approximately HK\$1.7 million.

OCCUPATIONAL, HEALTH AND SAFETY

Our operations are subject to regulation and monitoring by local work safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations. In addition, we are subject to a variety of guidelines imposed by our customers relating to production safety and health, and our customers require us to implement policies and measures to ensure health and work safety for our employees.

We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations as well as our customers' stringent requirements. Our work safety policies set forth overall principles as well as procedures of internal inspections of work safety related matters. We have safety officers who are responsible for regulating and coordinating safety procedures at our production facility. They report to our production safety personnel who oversee matters related to production safety. Our safety officers and production safety personnel are required to, and have, passed safety assessments set by the Shenzhen Administration of Work Safety (深圳市安全生產監督管理局) and the Shenzhen Human Resources and Social Security Bureau (深圳市人力資源和社會保障局) and have obtained the relevant qualification certificates. We have implemented measures to address potential risks relating to work safety and health, such as (i) conducting continuous training to enhance our employee's awareness of safety and health issues, (ii) periodically inspecting the safety conditions of our production units, and (iii) maintaining regular information exchanges on work safety and health issues with our customers. In order to prevent and mitigate safety and health issues, we have also implemented a contingency response program to cope with various emergency situations such as fire and natural disasters. The program covers organizational procedures and responses in case of emergencies, drills, accident reporting and recording. In addition, we have started implementing the OHSAS 18001 system at our Shenzhen production facility since June 2015 aiming to minimize occupational health and safety risks that might occur during the manufacturing process.

As confirmed by our PRC legal advisors, RMIA Shenzhen and RM Shenzhen are subject to PRC labor laws and regulations, and there has been no record of administrative penalty on us for violations of labor laws and regulations.

BUSINESS

During the Track Record Period, we did not experience any material accidents during our manufacturing process.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against the Group or any of our Directors which could have a material and adverse effect on the Group's financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE

Our Directors, as advised by our PRC legal advisors, confirm that during the Track Record Period and up to the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China, except as disclosed in “— Properties” and “— Regulatory non-compliance” herein.

Regulatory non-compliance

Some of our Hong Kong subsidiaries failed to hold annual general meeting and/or lay the audited accounts before the respective general meetings within nine months from the ending date of the accounting reference period pursuant to section 122 of the former Companies Ordinance and/or section 429 of the Companies Ordinance. The following table sets forth our subsidiaries involved in and the relevant periods of such non-compliance.

<u>Subsidiaries</u>	<u>Period involved</u>
RMIG HK	2006, 2009, 2010
Honour First HK	2006, 2009-2011
RMI Vietnam HK	2007, 2009-2011, 2014, 2015

The above non-compliances were unintentional and due to oversight of the administrative staff responsible for supervision on secretarial matters. During relevant periods, the above subsidiaries had relied on corporate secretarial services provided by an external service provider to handle such matters. As of the Latest Practicable Date, the subsidiaries listed above have taken steps to rectify such non-compliance by preparing the audited accounts for all relevant periods and having them passed and approved at subsequent general meetings.

We had sought legal advice from Mr. Leung Wai-keung, Richard, barrister-at-law in Hong Kong (the “**Counsel**”), on the possibility that the subsidiaries and their respective directors will be prosecuted for the non-compliances. As advised by the Counsel, the maximum penalty of such non-compliance is a fine of HK\$300,000 and imprisonment for 12 months. Having considered all relevant facts, the Counsel is of the view that the non-compliances are very minor offenses in terms of gravity, and the chance of prosecuting the offenses in respect of

the above non-compliance is not high. Even in the highly unlikely event of conviction, the likelihood of the imposition of a maximum sentence would be extremely remote and the likely sentences would only be fines which are much lower than the maximum fines. Since the non-compliance was not willful, it would be highly unlikely that custodial sentences would be imposed on any directors of the above subsidiaries.

To avoid recurrence of similar non-compliance in the future, we have taken additional measures to improve our corporate governance and internal control to ensure full compliance with applicable laws and regulations. Our Directors will ensure our Hong Kong subsidiaries will comply with the relevant regulatory requirements by designating our company secretary to (a) monitor the regulatory requirements in respect of our Hong Kong subsidiaries; (b) work closely with the external professional advisers engaged by our Group; and (c) keep abreast of the relevant regulatory requirements. In addition, the Controlling Shareholders will enter into a deed of indemnity with and in favor of the Group to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by us in connection with the above-mentioned non-compliance occurred on or before the Listing Date.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system as recommended by our internal control consultant to prevent future recurrence of non-compliance incidents, and the Sole Sponsor, taking into account the internal control consultant's view and discussion with the senior management of the Company, does not have a reasonable ground to disagree with our Directors' foregoing view.

In addition, having considered the above non-compliance matters and our enhanced internal control measures, the Sole Sponsor is not aware of any matter that would render our Directors not suitable for directors of a listing company under Rules 3.08 and 3.09 of the Listing Rules, or would render us not suitable for listing under Rule 8.04 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Mr. Hung will directly and indirectly, through his holding company, Regent Marvel, own in total 75% of the issued share capital of our Company. Accordingly, Mr. Hung and Regent Marvel will continue to be our Controlling Shareholders.

The core business of our Group focuses on the innovating, design and manufacturing of a wide range of intimate wear and functional sports products for global customers under their own brands. Apart from our business, Mr. Hung has control of or interest in Le Ying Trading (Hong Kong) Limited (“**Le Ying**”) engaging in the sales of intimate wear in Hong Kong and PRC. Le Ying is a company established under the laws of Hong Kong with limited liability on March 2, 2011 and wholly owned by Mr. Hung. Le Ying and its subsidiaries (the “**Le Ying Group**”) have been our customer since their incorporation. Le Ying Group is solely engaged in the retail business (the “**Le Ying Retail Business**”) of selling intimate wear (such as bras, panties and shape wear which amount to over 95% of the total revenue of Le Ying Retail Business) and a small amount of thermal underwear and pajamas. The intimate wear is manufactured and supplied by our Group and the thermal underwear and pajamas are supplied by other manufacturers. We provide Le Ying Group with integrated solutions for the design and manufacturing of products, including the research and development of the structure, functionality, raw materials and engineering skill of products.

Le Ying Group operated the following number of retail outlets under the trade name of “Regina Miracle” in Hong Kong and PRC, as of March 31, 2013, 2014 and 2015, respectively:

<u>Location</u>	<u>Number of retail outlets operated by Le Ying Group</u>		
	<u>As of March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Hong Kong	7	10	16
PRC	<u>11</u>	<u>15</u>	<u>10</u>
	<u>18</u>	<u>25</u>	<u>26</u>

Our Directors are of the view that our business activities are clearly delineated from that of Le Ying, since our Group focuses on designing and manufacturing of intimate wear and functional sports products for global customers under their own brands, and does not have any retail outlets for sale to retail customers and does not manufacture any own-branded products. In contrast, Le Ying only focuses on the sales of intimate wear directly to retail customers through its own retail outlets in Hong Kong and PRC and Le Ying does not manufacture any products for global customers. In order to focus on our design and manufacturing business and in line with our strategic plan, the Le Ying Retail Business will not form part of our Group upon Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that Le Ying does not compete, and is unlikely to compete, either directly or indirectly, with the business of our Group. Accordingly, neither of our Controlling Shareholders nor Directors is interested in any business which is, whether directly or indirectly, in competition with our business. To safeguard our Group from any potential competition, each of our Controlling Shareholders has jointly and severally and irrevocably entered into the Deed of Non-competition in favor of the Group, pursuant to which our Controlling Shareholders have undertaken to the Group that they would not, and would procure their respective close associates (except for any members of the Group) would not, directly or indirectly carry on, participate or be interested or engaged in or acquire or hold any business which is or may be in competition with our design and manufacturing business.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders have entered into a deed of non-competition in favor of our Group on September 11, 2015 (the “**Deed of Non-competition**”), pursuant to which each of our Controlling Shareholders has jointly and severally and irrevocably undertaken to our Group that he/it shall not, and shall procure his/its respective close associates (except for any members of the Group) shall not, during the Restricted Period (as defined below), directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engaged in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business, which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group (the “**RM Business**”).

The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the RM Business and whose securities are listed on any stock exchange, provided that our Controlling Shareholders or their respective close associates does not individually and in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company.

The restricted period stated in the Deed of Non-competition refers to the period commencing from the Listing Date and ending on the earlier of (i) the Shares of our Company being canceled or ceased to be listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder and his/its respective close associates (except for any members of the Group) ceasing to hold, directly or indirectly, any equity interest in our Company; or (iii) our Controlling Shareholders and their respective close associates (except for any members of the Group) ceasing to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company and have no power to control the composition of the majority of the members of the Board or no longer being recognized as our Controlling Shareholders under any applicable rules and regulations (the “**Restricted Period**”).

Option for New Business Opportunities

Our Controlling Shareholders have undertaken that, during the Restricted Period, if the Controlling Shareholders or their respective close associates (except for any members of our Group) become aware of, notice, are recommended or provided with a new business opportunity which will directly or indirectly compete or is likely to compete with the RM Businesses,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

including but not limited to the opportunities which are the same with or similar to the RM Businesses (the “**New Business Opportunities**”), our Controlling Shareholders shall and shall procure their respective close associates (except for any members of our Group) to refer or recommend the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) our Controlling Shareholders or their respective close associates (except for any members of our Group) shall provide us with a written notification which includes all reasonable and necessary information known by our Controlling Shareholders or their respective close associates (except for any members of our Group) (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for us to consider whether the New Business Opportunities constitute competition or potential competition to the RM Businesses and whether engaging in such New Business Opportunities would be in the best interests of our Group and our Shareholders as a whole (the “**Offer Notice**”); and
- (ii) we shall respond to our Controlling Shareholders or their respective close associates (except for any members of our Group) within 30 days upon receipt of the Offer Notice. If we fail to reply within the above period, we shall be deemed to have abandoned such New Business Opportunities. If we determine to take up the New Business Opportunities, our Controlling Shareholders or their respective close associates (except for any members of our Group) would be obligated to offer such New Business Opportunities to us.

Pre-emptive Rights

Our Controlling Shareholders have undertaken that, during the Restricted Period, if our Controlling Shareholders or their respective close associates (except for any members of our Group) intend(s) to transfer, sell, lease or license royalties to a third party any businesses engaged by him/it which competes or potentially competes with the RM Businesses or any other businesses which would cause direct or indirect competition with the RM Businesses, it shall offer us the pre-emptive right in terms of such opportunity with the equal terms subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) our Controlling Shareholders or their respective close associates (except for any members of our Group) shall provide us with written notice no later than the time of any such disposals (the “**Disposal Notice**”). For the avoidance of doubt, our Controlling Shareholders or their respective close associates (except for any members of our Group) are entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to us;
- (ii) we shall reply to our Controlling Shareholders or their respective close associates (except for any members of our Group) in writing within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by our Controlling Shareholders or their respective close associates (except for any members of our Group) before exercising its pre-emptive rights;
- (iii) if we intend to exercise such pre-emptive rights, the terms shall be determined with reference to fair market price; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) our Controlling Shareholders or their respective close associates (except for any members of our Group) shall not dispose of such businesses and interests to any third parties unless (a) we decline to purchase such businesses and interests in writing; (b) our Controlling Shareholders or their respective close associates (except for any members of our Group) has not received the notice of exercising such pre-emptive rights from us within the requested period; or (c) we fail to offer the same or more favorable terms of acquisitions than those offered by any third parties to our Controlling Shareholders or their respective close associates (except for any members of our Group).

Option for Purchase

During the Restricted Period, on the condition that no relevant laws and regulations are breached and agreements with third parties are complied with, we are entitled to acquire any businesses operated by our Controlling Shareholders or their respective close associates (except for any members of our Group) which competes or potentially compete with the RM Businesses or any businesses or any interests of our Controlling Shareholders or their respective close associates (except for any members of our Group) which are gained through the New Business Opportunities (the “**Option for Purchase**”). We are entitled to exercise the Option for Purchase at any time, and our Controlling Shareholders or their respective close associates (except for any members of our Group) shall base on below conditions to offer the Option for Purchase to us:

The terms and conditions shall be based on negotiation between the parties in line with normal commercial practice which is fair, reasonable and in compliance with the interests of our Group and our Shareholders as a whole. However, if a third party has pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document, our Options for Purchase shall be subject to such third-party rights. In such a case, our Controlling Shareholders or their respective close associates (except for any members of our Group) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Right of First Refusal of the Le Ying Retail Business

In addition, Mr. Hung has irrevocably and unconditionally undertaken to us (for itself and for the benefit of each of the members of our Group) that at any time during the Restrictive Period, Mr. Hung and his close associates (except for any members of our Group) shall not dispose of any interest in Le Ying Retail Business and shall procure Le Ying not to dispose of any of its core assets or business or interests in its subsidiaries from time to time (if any), without first offering to us the right to acquire such business or interest. If Mr. Hung intends to dispose of his interests in Le Ying Retail Business, he shall first offer to our Company the right to acquire such business or interest and provide relevant information including, among others, the proposed consideration and the payment terms. The consideration shall be subject to independent valuation by a qualified third party engaged by the Company. The relevant party may only proceed with such disposal to any third party, on terms not more favorable than those offered to us.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further Undertaking

Our Controlling Shareholders have further undertaken that, subject to relevant law, requirements or contractual arrangements with third parties:

- (a) upon our request, they shall and shall procure their close associates (except for any members of our Group) to provide us all necessary information for the implementation of the non-competition undertaking;
- (b) they would allow our authorized representatives or our auditors to have reasonable access to the financial and corporate information necessary to their transactions with third parties, which would assist with our judgments in respect of whether our Controlling Shareholders or their respective close associates (except for any members of our Group) have complied with the non-competition undertaking; and
- (c) they would ensure that within 10 days of receipt of our written request, necessary confirmation shall be made in writing as to the performance by our Controlling Shareholders or their respective close associates (except for any members of our Group) under the non-competition undertaking and our Controlling Shareholders or their respective close associates (except for any members of our Group) shall allow such confirmation to be included into our annual reports.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their close associates after the Global Offering.

Management Independence

The Board comprises five executive Directors and three independent non-executive Directors. Although Mr. Hung is our executive Director and is also a Controlling Shareholder of the Company, our management and operational decisions are made by all our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board. Please see the section “Directors, Senior Management and Employees” for further details.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests to arise. Further, we believe our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We entered into a sales agreement with Le Ying on September 11, 2015, details of which are set out in the section headed “Connected Transaction — Non-exempt Continuing Connected Transaction” in this prospectus. The revenue from continuing connected transaction gained from the sales to Le Ying accounted for 2.0%, 1.1% and 1.0% of our total revenue in Fiscal 2013, 2014, 2015, respectively. As such, our Directors are of the view that our operational independence will not be affected, given the size of the continuing connected transaction is insignificant.

We also entered into a trademark licensing agreement with Le Ying, details of which are set out in the section headed “Connected Transaction — Fully Exempt Continuing Connected Transaction” in this prospectus. Pursuant to the trademark licensing agreement, Le Ying agreed to pay us 0.5% of their respective sales (net of value added tax) of products using our licensed trademarks as trademark royalty fees. Given the trademark royalty fees will only constitute a small portion of our total revenue and the trademark royalty fees do not form part of our core business, our Directors are of the view that we do not rely on the trademark licensees and the termination of trademark licensing arrangement will not substantially affect our business, financial condition and results of operation.

We used the utility billing account of Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited, a PRC company wholly-owned by Mr. Hung, and reimbursed our utility charges to Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited each month on a cost basis during the Track Record Period and up to July 31, 2015. This connected transaction will be discontinued since our respective utility billing account will be separated from that of Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited and registered under our Group before Listing. Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited was engaged in the manufacturing of shoulder pads and bras pads, and has ceased its manufacturing operations since January 2015. Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited is currently an investment holding company that does not compete, either directly or indirectly, with the business of our Group.

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial Independence

Our Group has its own internal control, accounting and financial management system, accounting and financial department, independent treasury functions for cash receipts and payment and we make financial decision according to our own business needs.

We also have our own treasury function and independent access to third party financing. Our Directors confirm that all financial assistance, including amounts due to, loans or guarantee to loans provided by our Controlling Shareholders and their associates to our Group were or will be settled in full or released before Listing. Our Directors believe that we are capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

CONNECTED TRANSACTIONS

We will continue to carry out certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions will therefore constitute continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons will be our connected persons upon Listing:


- Mr. Hung, an executive Director and a substantial Shareholder, hence our connected person; and
- Le Ying, a limited company incorporated in Hong Kong and wholly-owned by Mr. Hung, hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Hung and our connected person.

Accordingly, the following transactions with Mr. Hung or his respective associates, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below details of the continuing connected transaction which is exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Framework Trademark Licensing Agreement

Our Company entered into the Framework Trademark Licensing Agreement with Le Ying on September 11, 2015, pursuant to which our Company agreed to grant and procure its subsidiaries to grant to Le Ying and its subsidiaries (the “**Le Ying Group**”) a non-exclusive and non-transferrable right to use our registered trademarks, namely “**REGINA MIRACLE**” and “” in the PRC and Hong Kong as the trade name of Le Ying Group's retail outlets and the brand name of all of the intimate wear products sold by Le Ying Group.

The Framework Trademark Licensing Agreement will become effective on the Listing Date and is valid until either (i) the expiry of a period of three years, (ii) until the expiration date of the licensed trademarks or (iii) the date on which Le Ying ceases to be our connected person, whichever comes earlier. The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated due to the expiry of the licensed trademarks or Le Ying ceasing to be our connected person.

During the Track Record Period, no consideration was paid to our Company or subsidiaries in relation to the use of the licensed trademarks. However, in order to formalize the arrangement in relation to the use and protection of our licensed trademarks by Le Ying Group, Le Ying agreed to pay us 0.5% of their respective sales (net of value added tax) of products using our licensed trademarks as trademark royalty fees pursuant to the Framework Trademark Licensing Agreement.

CONNECTED TRANSACTIONS

As confirmed by a professional trademark valuer who is an independent third party, the trademark royalty fees charged by us under the Framework Trademark Licensing Agreement is within reasonable range of the trademark royalty fees in the market. As such, our Directors consider that the terms of the Framework Trademark Licensing Agreement are in the interests of both our Company and Le Ying Group and are therefore on normal commercial terms.

Since each of the relevant percentage ratios under the Listing Rules in respect of the license fee payable under the Framework Trademark Licensing Agreement is expected to be less than 5% and the consideration is expected to be less than HK\$3 million, the transactions under the Framework Trademark Licensing Agreement constitute de minimis transactions which will be exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1).

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below details of the continuing connected transactions which are exempt from circular (including independent financial advice) and independent shareholders' approval requirements but subject to the annual reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Le Ying Sales Agreement

Parties: the Company (as the supplier); and

Le Ying (as the purchaser)

Principal terms: Our Company entered into the Le Ying Sales Agreement with Le Ying on September 11, 2015, pursuant to which our Company agreed to supply and procure its subsidiaries to supply to Le Ying Group our intimate wear products.

The Le Ying Sales Agreement will become effective on the Listing Date and is valid until either (i) the expiry of a period of three years or (ii) the date on which Le Ying ceases to be our connected person, whichever comes earlier. The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated due to Le Ying ceasing to be our connected person.

Pricing policy: The price of the sales of intimate wear products by our Company to Le Ying Group shall be determined on an arm's length basis with reference to (1) the average selling price of the products of comparable nature and scale and accepted by an independent third party in the twelve-month period prior to the relevant transaction, (2) where there is no such average selling price available, any most recent available sale price of products of comparable nature and scale offered by the Group and accepted by an Independent Third Party, the latest available market data, and (3) the prevailing market price for the sale of products of comparable nature and scale, which should be in any event no less favorable to the Group than is available to independent third parties.

Reasons for the transaction: We have been manufacturing intimate wear products for Le Ying Group's retail businesses in Hong Kong and PRC since 2011. Our Directors consider

CONNECTED TRANSACTIONS

that it is beneficial to the Group to supply our intimate wear to Le Ying Group on normal commercial terms, thus broadening our customer and revenue base in Asia.

Historical figures: The historical transaction amounts of sales by the Group to Le Ying Group are set out below:

	Historical Transaction Amount for the Year ended March 31, (HK\$'000)		
	2013	2014	2015
Total revenue	57,431	43,027	43,713

Annual Caps: The maximum aggregate annual amount of sales by the Group to Le Ying Group for the years ending March 31, 2016, 2017 and 2018 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year ending March 31, (HK\$'000)		
	2016	2017	2018
Total revenue	50,000	60,000	75,000

Basis of Caps: In determining the above annual caps, our Directors have considered (1) the historical transactions amount for the sales by the Group to Le Ying Group, (2) the prevailing market prices of intimate wear products of comparable nature and scale, and (3) the Group's anticipated demand for intimate wear products of Le Ying Group and under the assumption that (1) Le Ying Group will expand its retail business by increasing the number of stores gradually for the three years ending March 31, 2018; (2) there will not be any material fluctuation in the market supply and demand of the relevant intimate wear products for the three years ending March 31, 2018; and (3) there will not be any material fluctuation in market price of the relevant products for the three years ending March 31, 2018.

Listing Rules Implications: Since the highest relevant percentage ratio under the Listing Rules in respect of the transactions contemplated under Le Ying Sales Agreement is expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions will be exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial advice) and independent shareholders' approval requirement but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions described in this section, which have been and shall be entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole. Our Directors, including the independent non-executive Directors, are of the view that the proposed annual caps for the non-exempt continuing connected transaction described in this section are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transaction as described in this section have been and shall be entered into in the ordinary and usual course of business of the Company, are on normal commercial terms, are fair and reasonable and in the interests of the shareholders of the Company as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable and in the interests of the shareholders of the Company as a whole.

APPLICATION FOR WAIVER

In respect of the transactions described under the section headed “Connected Transactions – Non-exempt Continuing Connected Transaction”, as the highest relevant percentage ratio under the Listing Rules is, on an annual basis, expected to be more than 0.1% but less than 5%, such transactions are exempt from the circular and independent shareholders’ approval requirements but subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules and the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules.

As described above, we expect the non-exempt continuing connected transaction to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rules 14A.35 of the Listing Rules in respect of the transaction described under the section headed “Connected Transactions – Non-exempt Continuing Connected Transaction”.

We will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into service contracts with each of our executive Directors and letters of appointment with each of our independent non-executive Directors.

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business.

The following table sets out certain information in respect of our Directors and senior management:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
<i>Directors</i>						
HUNG Yau Lit (洪游歷) (also known as YY Hung (洪游奕))	53	Chairman of the Board, chief executive officer and executive Director	September 21, 2010	May 25, 1998	<ul style="list-style-type: none"> • Formulating the overall development strategies and business plans and overseeing the operation of our Group • Chairman of the nomination committee and member of the remuneration committee 	Father of Ms. Hung Cheuk Man and uncle of Ms. Sze Shui Ling and Mr. Yiu Ka So is cousin of Mrs. Hung
YIU Kar Chun Antony (姚嘉駿)	39	Chief financial officer and executive Director	June 22, 2015	June 17, 2002	<ul style="list-style-type: none"> • Overseeing the overall financial management, internal control, legal and compliance matters of the Group 	Cousin of Mr. Yiu Ka So

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
LIU Zhenqiang (劉震強)	40	Executive Director	June 22, 2015	April 1, 2008	<ul style="list-style-type: none"> • Responsible for product design, research and development management of the Group 	None
CHEN Zhiping (陳志平)	38	Executive Director	June 22, 2015	April 1, 2008	<ul style="list-style-type: none"> • Responsible for production management of the Group 	None
SZE Shui Ling (施穗玲)	43	Executive Director	June 22, 2015	May 25, 1998	<ul style="list-style-type: none"> • Responsible for sales and marketing affairs of the Group 	Niece of Mr. Hung
OR Ching Fai (柯清輝) . .	65	Independent non-executive Director	September 11, 2015	September 11, 2015	<ul style="list-style-type: none"> • Supervising and providing independent judgment to our Board • Chairman of the audit committee 	None
TO WONG Wing Yue Annie (陶王永愉) . . .	59	Independent non-executive Director	September 11, 2015	September 11, 2015	<ul style="list-style-type: none"> • Supervising and providing independent judgment to our Board • Chairman of the remuneration committee, member of the nomination committee and the audit committee 	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
TAM Laiman (譚麗文) . .	62	Independent non-executive Director	September 11, 2015	September 11, 2015	<ul style="list-style-type: none"> • Supervising and providing independent judgment to our Board • Member of the audit committee, member of the remuneration committee and the nomination committee 	None

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
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Senior Management

HUANG Guoxian (黃國賢)	50	General manager of technology development	April 1, 2008	April 1, 2008	Responsible for technology, research and development, machinery improvement of the Group	None
YIU Ka So (姚加甦)	41	General manager of operation	March 3, 2004	March 3, 2004	Responsible for operations management of the Group	Cousin of Mr. Yiu Kar Chun Antony and Mrs. Hung
LEUNG, Mai Ling Connie (梁美玲)	49	General manager of business division	September 3, 2003	September 3, 2003	Responsible for sales management of the Group	None
LIANG Changming (梁長明)	35	Sample development deputy general manager of shoe division	February 1, 2012	April 1, 2008	Responsible for research and development of shoe products of the Group	None
HO Soon Hin (何順興)	52	Deputy general manager of production management	October 16, 2002	October 16, 2002	Responsible for production management and quality control of the Group	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
ZHANG Wenbo (張文博)	36	Sample development deputy general manager of bra division	February 1, 2012	April 1, 2008	Responsible for research and development of bra products of the Group	None
HUNG Cheuk Man (洪緯敏)	25	Deputy general manager of business development	November 21, 2011	November 21, 2011	Responsible for sales and marketing affairs of the Group	Daughter of Mr. Hung

Executive Directors

Mr. HUNG Yau Lit (洪游歷) (also known as YY Hung (洪游奕)), aged 53, is the founder of the Group and has been a Director of the Company since its incorporation on September 21, 2010. He is also the Chairman, the chief executive officer, the chairman of the nomination committee and a member of the remuneration committee of the Company. He is primarily responsible for formulating the overall development strategies and business plans and overseeing the operation of the Group. With over 16 years of experience in the intimate wear manufacturing industry, Mr. Hung has been the key driver of our business strategies and achievements to date and continues to oversee the management of our operations and business. Mr. Hung is also a director of each of the BVI, PRC and Hong Kong subsidiaries of the Group.

Mr. Hung was a member of Shenzhen City Chinese People’s Political Consultative Conference from 2010 to 2015 and has been a member of Fujian Province Committee of the Chinese People’s Political Consultative Conference since 2013. Mr. Hung was the founding president and served as the president of the first and second term of World Jin Jiang Youth Association (世界晉江青年聯誼會) from 2007 to 2013, and he has been the honorary life president of this association since 2013. He is currently the vice president of Shenzhen Guangming New District Industry Association (深圳市光明新區總商會), the vice president of Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會) since 2009, the executive vice president of Shenzhen Underwear Association (深圳市內衣行業協會) since 2012, the president of Shenzhen Guangming New District Charity Association (深圳市光明新區慈善會) since January 2015 and the vice president of South China Athletic Association (南華體育會). Mr. Hung received the Young Industrialist Awards of Hong Kong 2007 from Federation of Hong Kong Industries.

For further information regarding the relationship of Mr. Hung and the Group, please see “Our History and Development”. Mr. Hung is the father of Ms. Hung Cheuk Man, our senior management and uncle of Ms. Sze Shui Ling, our senior management and executive Director. Mr. Yiu Ka So, our senior management, is a cousin of Mrs. Hung.

Mr. YIU Kar Chun Antony (姚嘉駿), aged 39, was appointed as an executive Director of the Company on June 22, 2015. Mr. Yiu joined the Group as a financial controller on June 17, 2002 and was promoted to the chief financial officer of the Group in 2005. Mr. Yiu is primarily

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

responsible for overseeing the overall financial management, internal control, legal and compliance matters of the Group. He also serves as a director in a number of the Company's subsidiaries. Mr. Yiu has over 16 years of experience in financial management. Prior to joining the Group, Mr. Yiu worked at PricewaterhouseCoopers Hong Kong in the tax department from August 1998 to June 2002 and held the position of senior consultant from July 2000 to June 2002. Mr. Yiu graduated from the Hong Kong Polytechnic University with a first class honors degree of bachelor of arts in accountancy in November 1998. He was admitted as a member of Association of Chartered Certified Accountants (the "ACCA") in October 2002 and has been a fellow of the ACCA since October 2007. Also, he was admitted as a member of Hong Kong Institute of Certified Public Accountants (the "HKICPA") in April 2002 and has been a fellow of HKICPA since July 2010. Mr. Yiu is a cousin of Mr. Yiu Ka So, our senior management.

Mr. LIU Zhenqiang (劉震強), aged 40, was appointed as an executive Director of the Company on June 22, 2015 and has been the chief research and development and design officer of RMIA Shenzhen since April 2008. He is primarily responsible for product design, research and development management of the Group. He also serves as a director in a number of the Company's subsidiaries. Mr. Liu joined the Previous Bra Processing Facilities in February 1999 and held the positions as manager of the research and development department from February 1999 to September 2003 and chief research and development and design officer from September 2003 to April 2008. From August 1998 to February 1999, Mr. Liu served as a supervisor of quality assurance department at Shun Cheong Factory for shoulder pads manufacturing. He has over 16 years of experience in intimate wear design and research and development management and contributed in a number of utility model patents and invention patents on intimate wear design. Mr. Liu graduated from Wuxi College of Light Industry (無錫輕工大學) (later renamed as Jiangnan University (江南大學)) majoring in textile design in June 1998 and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2013.

Mr. CHEN Zhiping (陳志平), aged 38, was appointed as an executive Director of the Company on June 22, 2015 and has been the general manager of RMIA Shenzhen since April 2008. He is primarily responsible for production management of the Group. He is also a director of both RMIA Shenzhen and RM Shenzhen. Mr. Chen joined the Previous Bra Processing Facilities in October 2000 and held the following positions: production supervisor from October 2000 to June 2001, production manager from June 2001 to September 2003, senior production manager from September 2003 to June 2006 and general manager from June 2006 to April 2008. He has over 14 years of experience in intimate wear manufacture management. Mr. Chen obtained a bachelor degree in shipbuilding engineering from East China Shipbuilding Institute (華東船舶工業學院) (later renamed as Jiangsu University of Science and Technology (江蘇科技大學)) in July 1999 and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2013.

Ms. SZE Shui Ling (施穗玲), aged 43, was appointed as an executive Director of the Company on June 22, 2015. She has been the sales and marketing director of RMI HK since June 24, 1999 and RMIG HK since September 18, 2006. She is responsible for the sales and marketing affairs of the Group. Ms. Sze has over 16 years of experience in the sales and marketing of intimate wear. She is also a director of a number of our subsidiaries. Ms. Sze holds a certificate in tourism management program in Camosun College in Canada in December 1996. Ms. Sze is the niece of Mr. Hung.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Dr. OR Ching Fai (柯清輝), aged 65, was appointed as an independent non-executive Director of the Company on September 11, 2015 and is the chairman of the audit committee. Dr. Or is primarily responsible for providing strategic advice and guidance on the business development of our Group.

Dr. Or received a bachelor of social sciences degree in economics and psychology from the University of Hong Kong in July 1972 before joining The Hongkong and Shanghai Banking Corporation Limited as a management trainee. Dr. Or worked in a variety of positions in personnel, securities, retail and corporate banking divisions. Dr. Or was appointed as general manager and group general manager in 2000 and became an executive director in 2005. Dr. Or was then appointed as vice-chairman and chief executive of Hang Seng Bank Limited (恒生銀行有限公司), a banking company listed on the Stock Exchange (stock code: 11), in 2005 and retired in May 2009.

Dr. Or holds the following positions in companies listed on the Australian Securities Exchange (“ASX”) and the Stock Exchange:

<u>Company and its Principal Business</u>	<u>Duration of Tenure</u>	<u>Stock Exchange</u>	<u>Stock code</u>	<u>Position</u>
Aquis Entertainment Limited, formerly known as Discovery Resources Limited, an entertainment company	from August 24, 2015 to present	ASX	AQS	Deputy chairman and non-executive director
Television Broadcasts Limited (電視廣播有限公司), a television broadcast company	from December 2012 to present	The Stock Exchange	511	Independent non-executive director
Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a banking company.	from May 2012 to present	The Stock Exchange	1398	Independent non-executive director
Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a jewellery company	from November 2011 to present	The Stock Exchange	1929	Independent non-executive director
China Strategic Holdings Limited (中策集團有限公司), an investment and metal trading company	from November 2009 to present	The Stock Exchange	235	Chairman, chief executive officer and executive director

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Company and its Principal Business</u>	<u>Duration of Tenure</u>	<u>Stock Exchange</u>	<u>Stock code</u>	<u>Position</u>
G-Resources Group Limited (國際資源集團有限公司), a gold and silver mining company	from July 2009 to present	The Stock Exchange	1051	Vice-chairman and independent non-executive director
Esprit Holdings Limited (思捷環球控股有限公司), a fashion and living products company	from March 1996 to present	The Stock Exchange	330	Independent non-executive director since March 1996 and became chairman from June 2012

Dr. Or was also an independent non-executive director of Hutchison Whampoa Limited (和記黃埔有限公司), a telecommunications, retail, infrastructure and energy company listed on the Stock Exchange (stock code: 13) and Cathay Pacific Airways Limited (國泰航空有限公司), an aviation company listed on the Stock Exchange (stock code: 293) from February 2000 to May 2009, respectively.

Dr. Or is a vice patron of the board of the Community Chest of Hong Kong. He was also the chairman of the Hong Kong Association of Banks in 2000 and 2003 and was vice chairman of the Hong Kong Association of Banks in 2001, 2002, 2004 and 2005. He was also the chairman of the Financial Services Advisory Committee and a member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He was a member of the Risk Management Committee of the Hong Kong Exchanges and Clearing Limited, vice president and a council member of the Hong Kong Institute of Bankers, a member of the Aviation Development Advisory Committee, the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong, the deputy council chairman of the Council of City University of Hong Kong, a council member of the University of Hong Kong, an adviser of the Employers' Federation of Hong Kong and a member of the Planning Committee of the 5th East Asian Games.

Dr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellow from the University of Hong Kong in 2009. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr. Or is a Justice of the Peace.

Mrs. TO WONG Wing Yue Annie (陶王永愉), aged 59, was appointed as an independent non-executive Director of the Company on September 11, 2015 and is primarily responsible for providing strategic advice and guidance on the business development of our Group. She is also a member of the nomination committee, the audit committee and the chairman of the remuneration committee of the Company. Mrs. To has extensive experience in the garments trading industry. Prior to joining the Group, Mrs. To was employed by Mast Industries (Far East) Limited, the sourcing arm of L Brands, as the president from January 2007

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

to May 2013 and the executive vice president from September 1996 to December 2006. From April 1995 to August 1996, she served as a director of Li & Fung (Trading) Ltd., a Hong Kong based global sourcing company. From January 1991 to February 1995, Mrs. To was the executive vice-president of Bonaventure Textiles Limited, a garment manufacturing company. From June 1979 to December 1990, Mrs. To held various positions from executive trainee to assistant managing director of Swire and MacLaine Limited, the trading division of John Swire & Sons Limited. Mrs. To obtained a bachelor degree of arts from the University of Hong Kong in November 1979.

Ms. TAM Laiman (譚麗文), aged 62, was appointed as an independent non-executive Director of the Company on September 11, 2015 and is primarily responsible for providing strategic advice and guidance on the business development of our Group. She is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Ms. Tam has extensive management experience in the consumer products marketing, distribution and retailing industry. Ms. Tam currently holds position either as a manager or an executive director of the following six group companies in Swire Pacific Limited: Rebecca Minkoff Holding Company LLC, a footwear and clothing company based in the U.S.; SRM Holdings, Inc., a holding company of brands investment; United Sheen Limited, a holding company of brands investment; Columbia Sportswear Commercial (Shanghai) Co., Ltd. (哥倫比亞運動服裝商貿(上海)有限公司), a sales and distribution company of branded outdoor and sports clothing and footwear; SCCH Limited, a holding company of brands investment and Swire Brands Limited, a holding company of consumer brands investment. She is primarily responsible for the companies' overall development and operation.

From January 1990 to July 2013, Ms. Tam served the positions as managing director, director and general manager of Swire Resources Limited, a marketing, distribution and retail company of branded clothing and footwear product, where she was primarily responsible for the company's overall development and operation. From October 1987 to December 1989, Ms. Tam was the general manager in charge of the overall operation of Reebok Hong Kong Ltd., a sports brand company of clothing and footwear. From December 1983 to May 1987, Ms. Tam worked at Plough Consumer Products (Asia) Ltd., a consumer products marketing and distribution company, as the regional marketing manager responsible for the Southeast Asia market. From May 1978 to November 1983, Ms. Tam worked at the group companies of Fung Ping Fan Group, a diversified company involving in consumer brands distribution and real estate businesses.

Ms. Tam obtained a bachelor degree in administration from University of Ottawa in May 1976. Ms. Tam has been an executive committee member of Benji's Centre (庭恩兒童中心) and the vice chairman of the supervisory board of Macao International Brand Enterprise Commercial Association (澳門國際品牌企業商會) since 2009.

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please see "Statutory and General Information" in Appendix IV to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed in this prospectus, there are no other matters in respect of each of our directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matters relating to our directors that need to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Mr. HUANG Guoxian (黃國賢), aged 50, has been the general manager of technology development of RMIA Shenzhen since April 2008. He is responsible for technology, research and development and machinery improvement of the Group, and contributed in several utility model patents and invention patents on intimate wear design, including one-piece bra. Mr. Huang is also the vice chairman of RMIA Shenzhen and a Director of RM Shenzhen. He joined the Previous Bra Processing Facilities in February 1999 and held the positions as manager of the research and development department from February 1999 to March 2003 and chief technology officer from March 2003 to April 2008. From June 1988 to February 1999, Mr. Huang worked as supervisor of the research and development department at Shun Cheong Factory for shoulder pads manufacturing. Mr. Huang has over 16 years of experience in the intimate wear manufacturing industry. Mr. Huang obtained a high school diploma from Fuqing Jiangdou Huaqiao Middle School (福清江兜華僑中學) in July 1982.

Mr. YIU Ka So (姚加甦), aged 41, has been the general manager of operation of the Group since he joined us on March 3, 2004. He is primarily responsible for operations management of the Group. Mr. Yiu is also the vice chairman of RMIA Shenzhen, a director of RM Shenzhen, the legal representative and general director of RMI Vietnam and of RMI Vietnam Hai Duong and the general manager of RMI Suzhou. Mr. Yiu has over ten years of experience in enterprise and operations management. Mr. Yiu served at United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited), a solar company listed on the Stock Exchange (stock code: 686), as an executive director from October 2010 to December 2013. Mr. Yiu obtained a bachelor degree in engineering and a master degree of science in civil engineering, both from the University of Hong Kong, in December 1997 and November 2001, respectively. Mr. Yiu is a cousin of Mr. Yiu Kar Chun Antony and Mrs. Hung.

Ms. LEUNG, Mai Ling Connie (梁美玲), aged 49, has been the general manager of business division of the Group since she joined us on September 3, 2003. She is responsible for sales management of the Group. Ms. Leung has over 23 years of experience in the clothing industry, of which over 11 years in the intimate wear manufacturing industry.

Prior to joining our Group, Ms. Leung worked at PLH Fashion Group, a trading company, as a divisional manager primarily responsible for merchandising and management from November 2002 to September 2003. From 1995 to 2002, Ms. Leung worked at Mast Industries (Far East) Limited, a garments and accessories trading company, as a merchandising manager and regional merchandising manager, where she was primarily responsible for the regional market management. From October 1993 to June 1995, she served as a sourcing manager in charge of material sourcing, purchasing and development in Lion-Redcliffe & Company Limited, an embroidery manufacturer. In addition, Ms. Leung served as an assistant merchandiser overseeing sample development, production and shipment in Texunion Garment Co., Ltd., a garment manufacturer, from July 1985 to June 1986.

Ms. Leung obtained a diploma in clothing in Hong Kong Vocational Training Council in July 1985, a national diploma in clothing in Hong Kong Business and Technical Education

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Council in March 1986, a diploma in clothing design and production management from the Clothing and Footwear Institute in 1993. Ms. Leung completed the modular post-graduate diplomas in textile and clothing and clothing studies in October 1995 and November 1996, respectively, and obtained a master of arts degree in clothing studies from the Hong Kong Polytechnic University in December 1999.

Mr. LIANG Changming (梁長明), aged 35, has been the sample development deputy general manager of shoe division of RMIA Shenzhen since February 2012. He is responsible for research and development of shoe products of the Group. He was also the senior manager of the research and development department of RMIA Shenzhen from April 2008 to February 2012. Mr. Liang joined the Previous Bra Processing Facilities in June 2003 and held the positions in the research and development department as supervisor from June 2003 to May 2006 and manager from May 2006 to April 2008. Mr. Liang has over 11 years of experience in intimate wear manufacturing industry, specializing in bra pads, bras and sports bras. Mr. Liang obtained a bachelor degree in textile examination and commerce from Donghua University (東華大學) in July 2003.

Mr. HO Soon Hin (何順興), aged 52, has been the deputy general manager of production management of the Group since he joined us on October 16, 2002 and is responsible for production management and quality control of the Group. Mr. Ho has over 12 years of experience in the intimate wear manufacturing industry.

Mr. ZHANG Wenbo (張文博), aged 36, has been the sample development deputy general manager of the intimate wear division of RMIA Shenzhen since February 2012. He is responsible for the research and development of bra products of the Group. Mr. Zhang was also the senior manager of the research and development department of RMIA Shenzhen from April 2008 to February 2012. Mr. Zhang joined the Previous Bra Processing Facilities in September 2002 and held the positions in the research and development department as supervisor from September 2002 to May 2004 and manager from May 2004 to April 2008. Mr. Zhang has over 12 years of experience in the research and development of intimate wear products. Mr. Zhang obtained a bachelor degree in thermal engineering from Jiamusi University (佳木斯大學) in June 2002.

Ms. HUNG Cheuk Man (洪緯敏), aged 25, has been the deputy general manager of business development of the Group since she joined us on November 21, 2011. She is responsible for sales and marketing affairs of the Group. Ms. Hung has over three years of experience in intimate wear manufacturing industry. Ms. Hung holds a Bachelor of Arts degree in Mathematics from the University of Cambridge in July 2011. Ms. Hung is daughter of Mr. Hung.

COMPANY SECRETARY

Mr. LAW Kwan Chuen (羅鈞全), aged 36, joined the Group on December 15, 2011 as the financial controller of RMIG HK and was appointed as our company secretary on June 22, 2015. He is primarily responsible for financial reporting, corporate finance and company secretarial matters of the Group. Mr. Law has approximately 14 years of experience in auditing, financial reporting and corporate finance. Prior to joining the Group, Mr. Law worked at PricewaterhouseCoopers from October 2004 to December 2011 with the last position as manager. From July 2001 to October 2004, he worked at Moore Stephens as an auditor.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Law obtained a bachelor degree of business administration majoring in professional accountancy from The Chinese University of Hong Kong (香港中文大學) in November 2001. He has been an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom since February 2004 and the Hong Kong Institute of Chartered Secretaries since September 2004. Mr. Law has also been a Chartered Financial Analyst (“CFA”) charterholder of the CFA Institute since September 2006, a fellow member of ACCA since July 2009 and a fellow member of HKICPA since September 2014.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Dr. OR Ching Fai, Mrs. TO WONG Wing Yue Annie and Ms. TAM Lai-man, our independent non-executive Directors. Dr. Or has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Hung, Mrs. TO WONG Wing Yue Annie and Ms. TAM Lai-man. Mrs. TO WONG Wing Yue Annie, our independent non-executive Director, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Mrs. TO WONG Wing Yue Annie and Ms. TAM Lai-man and one executive Director, being Mr. Hung, who is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Hung is our chairman and chief executive officer. With extensive experience in the intimate wear manufacturing industry, Mr. Hung is responsible for the overall development strategies and business plans and overseeing the operation of our Group. We believe he is instrumental to our growth and business expansion since our establishment in 1998. Our Board

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. We believe that the balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises five executive Directors (including Mr. Hung) and three independent non-executive Directors and therefore we believe it has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the years ended March 31, 2013, 2014 and 2015 was HK\$7.8 million, HK\$7.8 million and HK\$8.8 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during each of the years ended March 31, 2013, 2014 and 2015, was HK\$15.5 million, HK\$15.8 million and HK\$17.3 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending March 31, 2016 is estimated to be HK\$17.2 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended March 31, 2013, 2014 and 2015. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended March 31, 2013, 2014 and 2015 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (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 its 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 the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the following person will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares held immediately after the completion of the Capitalization Issue and the Global Offering</u>	<u>Approximate percentage of shareholding in the share capital of the Company after the completion of the Capitalization Issue and the Global Offering</u>
Mr. Hung ⁽²⁾	Beneficial Owner; interest in controlled corporation	885,000,000	75%
Regent Marvel ⁽²⁾	Beneficial owner	708,000,000	60%
Ms. Choy King Ngor ⁽³⁾	Interest of spouse	885,000,000	75%

Notes:

- (1) The calculation is based on the total number 1,180,000,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme).
- (2) Regent Marvel is beneficially and wholly owned by Mr. Hung. By virtue of the SFO, Mr. Hung is deemed to be interested in the Shares held by Regent Marvel. Mr. Hung is also a direct beneficial owner of the Company.
- (3) Ms. Choy King Ngor is the wife of Mr. Hung and is deemed to be interested in the Shares which are interested by Mr. Hung under Part XV of the SFO.

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized 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 (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalization Issue (assuming the Over-allotment Option is not exercised):

Authorized share capital:

<u>Number of Shares</u>		<u>Total nominal value</u>
		US\$
<u>50,000,000,000</u>	Shares of US\$0.01 each	<u>500,000,000</u>

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option):

Issued and to be issued, fully paid or credited as fully paid:

<u>Number of Shares</u>		<u>Total nominal value</u>
		US\$
10,000	Shares in issue as of the date of this prospectus	100
884,990,000	Shares to be issued pursuant to the Capitalization Issue	8,849,900
<u>295,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>2,950,000</u>
<u>1,180,000,000</u>	Total	<u>11,800,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank 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 date of this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

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

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

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see the section headed "Statutory and General Information — A. Further Information About our Group — 3. Resolutions in writing of our Shareholders passed on September 11, 2015" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated September 11, 2015, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus.

THE CORNERSTONE PLACING

As part of the International Offering, we and the Sole Global Coordinator have entered into a cornerstone investment agreement with each of L (Overseas) Holdings LP and Tianhai International Holdings Limited (collectively, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US\$20.0 million (approximately HK\$155.0 million) (the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$5.38 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 28,810,000, representing approximately 2.4% of the Shares in issue and outstanding upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$5.88 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 26,360,000, representing approximately 2.2% of the Shares in issue and outstanding upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$6.38 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 24,294,000, representing approximately 2.1% of the Shares in issue and outstanding upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

Each of the Cornerstone Investors is an independent third party, independent of each other, and is not our connected person. The Cornerstone Investors will subscribe for the Offer Shares pursuant to, and as part of, the International Offering. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering, other than pursuant to their respective cornerstone investment agreement.

The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any representation on the Board or become our substantial shareholder. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

The Offer Shares to be acquired by the Cornerstone Investors (i) will not be subject to re-allocation of Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering; or (ii) be affected by any exercise of the Over-allotment Option to be granted by the Company to the Sole Global Coordinator and exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be issued by the Company on or around Wednesday, October 7, 2015.

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreement with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

L (Overseas) Holdings LP (“L (Overseas)”)

L (Overseas) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for up to US\$10.0 million (approximately HK\$77.5 million) at the Offer Price. Assuming an Offer Price of HK\$5.38 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that L (Overseas) would subscribe for would be 14,405,000 Shares, representing approximately 1.2% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$5.88 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that L (Overseas) would subscribe for would be 13,180,000 Shares, representing approximately 1.1% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$6.38 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that L (Overseas) would subscribe for would be 12,147,000 Shares, representing approximately 1.0% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

L (Overseas) was incorporated in Canada and is a foreign investment subsidiary of LBrands. LBrands (NYSE: LB), through Victoria’s Secret, PINK, Bath & Body Works, La Senza and Henri Bendel, is an international company with annual sales of more than US\$11.0 billion in 2014. The company operates 2,976 company-owned specialty stores in the United States, Canada and the United Kingdom, and its brands are sold in more than 650 additional non-company-owned locations worldwide. The company’s products are also available online at www.VictoriasSecret.com, www.BathandBodyWorks.com, www.HenriBendel.com and www.LaSenza.com.

LBrands had been one of our top 10 customers during the Track Record Period. The investment by L (Overseas) is part of the continuing development of our strategic partnership with LBrands.

Tianhai International Holdings Limited (“Tianhai”)

Tianhai has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for up to US\$10.0 million

CORNERSTONE INVESTORS

(approximately HK\$77.5 million) at the Offer Price. Assuming an Offer Price of HK\$5.38 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that Tianhai would subscribe for would be 14,405,000 Shares, representing approximately 1.2% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$5.88 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that Tianhai would subscribe for would be 13,180,000 Shares, representing approximately 1.1% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Assuming an Offer Price of HK\$6.38 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares that Tianhai would subscribe for would be 12,147,000 Shares, representing approximately 1.0% of the Shares in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

Tianhai is incorporated in Hong Kong. It is an investment company with an investment focus primarily on companies in Greater China markets. It is ultimately controlled by Mr. Ningyi Shen and Mr. Weicong Ling. Its parent company, Tianhai Lace Co., Ltd. is a textile manufacturing company specializing in the design and manufacture of lace and other fabric.

CONDITIONS PRECEDENT

The obligations of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective cornerstone investment agreements are subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements having been entered into and become effective and unconditional (in accordance with their respective original terms or as subsequently waived in part or in whole or varied by agreement of the parties thereto) by no later than the time and date as specified in the respective Underwriting Agreements and not having been terminated;
- (b) the Listing Committee having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked;
- (c) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or under the relevant cornerstone investment agreement and there shall be no orders or injunctions of a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (d) the representations, warranties, undertakings and confirmations of such Cornerstone Investor under the relevant cornerstone investment agreement are accurate, true and not misleading and that there is no breach of the relevant cornerstone investment agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of, or agree to dispose of, any of the Shares acquired under the relevant cornerstone investment agreement or any shares or other securities deriving from such Shares other than transfers to any of its wholly-owned subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information as of March 31, 2013, 2014 and 2015 and for Fiscal 2013, 2014 and 2015, and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRSs. Potential investors should read the whole Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors".

OVERVIEW

We are a leading global intimate wear company that innovates, designs and manufactures a wide range of intimate wear and functional sports products for leading global brands through an IDM business model. Our IDM business model has spearheaded our rapid development into the industry's number one bra manufacturing company globally with a market share of 1.0% based on production volume in 2014, according to the Frost & Sullivan Report. We manufacture a range of intimate wear products, which include bras, sports bras, bra pads, panties and shape wear, and functional sports products, which include sports footwear, functional seamless sportswear and wearable related sports products.

As a result of our IDM business model, as well as our pioneering innovation and research and development capabilities, strategic cooperation relationships with leading global brands and quality customers, successful expansion of product lines, and efficient and timely production control and supply chain management system, we achieved significant revenue and profit growth during the Track Record Period. Our revenue increased from HK\$2,903.3 million in Fiscal 2013, to HK\$3,803.0 million in Fiscal 2014, and further to HK\$4,192.0 million in Fiscal 2015, representing a CAGR of 20.2% from Fiscal 2013 to Fiscal 2015. Our adjusted profit increased from HK\$112.7 million in Fiscal 2013, to HK\$208.3 million in Fiscal 2014, and further to HK\$335.2 million in Fiscal 2015, representing a CAGR of 72.4% from Fiscal 2013 to Fiscal 2015. We believe that these strengths well position us to continue to grow our business.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our financial condition and results of operations, including those factors discussed below:

- our ability to design, develop and commercialize innovative products;
- our relationships with customers;
- our product mix and our ability to expand into new product categories;
- changes in consumption patterns and consumer demand for our customers' products;
- our ability to control production costs;

FINANCIAL INFORMATION

- management and expansion of our production capacity; and
- fluctuations in foreign currency exchange rates.

Our ability to design, develop and commercialize innovative products

As we operate an IDM business model, our business prospects as well as growth and our ability to compete in the industry largely depend on our ability to design, develop and commercialize innovative products. Leveraging our expertise and core techniques accumulated in the production of intimate wear, we strategically focus on the design and development of high value-added products which we believe can create new trends in the industry and foster high growth potentials. Over the years, our ability to successfully develop and commercialize innovative products has positively affected our financial condition and results of operations. For example, we commenced the design and manufacture of sports footwear in Fiscal 2014. As a result, revenue generated from sales of functional sports products reached HK\$476.1 million in Fiscal 2015. We believe that the development and commercialization of new products will continue to be an important factor affecting our results of operations in future periods and a major driver for our future growth.

Our ability to continue to design, develop and commercialize new products in line with technological progress and market trends depends on our continued investments in research and development. In Fiscal 2013, 2014 and 2015, we incurred HK\$96.4 million, HK\$110.1 million and HK\$125.8 million, respectively, of research and development costs. As we plan to continue to invest in product design, research and development and focus on innovations in order to remain competitive, we expect our research and development costs to increase in the future.

Our relationships with customers

A majority of our revenue is derived from a limited number of customers. In Fiscal 2013, 2014 and 2015, sales to our largest customer, LBrands, accounted for 32.2%, 35.0% and 30.0% of our total revenue, respectively, while sales to our five largest customers accounted for 68.4%, 71.3% and 68.6% of our total revenue, respectively. We anticipate that our dependence on a limited number of high-quality customers will continue for the foreseeable future. In addition, our sales are made on the basis of individual purchase orders, and we have not entered into long-term purchase agreements with, and are not, for most products, the exclusive supplier for, any of our key customers. Consequently, changes in relationships with our key customers will materially affect our results of operations and financial condition. If a single, dominant customer ceases to engage in businesses with us or significantly reduces orders from us, we may sustain substantial losses. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand could impact our gross margin and results of operations. See “Risk Factors — Risks Relating to our Industry and Business — Our top five customers accounted for 68.6% of our total revenue in Fiscal 2015 and decrease in our sales to any of them would materially and adversely affect our operations and financial results” and “Risk Factors — Risks Relating to our Industry and Business — We do not have long-term purchase commitments from our customers, which may subject us to uncertainty and revenue volatility from period to period.”

FINANCIAL INFORMATION

Most of our major branded intimate wear customers have been associated with us for more than ten years. We particularly benefit from our 15-year relationship with LBrands, the largest retailer of lingerie in the U.S., according to the Frost & Sullivan Report. As a result of our long-term relationships with these customers, we believe that we will receive more business from our existing customers as demand in the global intimate wear and sporting goods industries continues to grow and we will benefit from their continuous expansions. Therefore, our ability to maintain solid relationships with our key customers, who operate leading brands in the intimate wear and sporting goods industries, continues to play an important role in underpinning our future growth. We believe that our close cooperation with our key customers also enhances our reputation as a leading intimate wear IDM and provide us with a competitive advantage in attracting additional brand name companies as customers.

Our product mix and our ability to expand into new product categories

Supported by our comprehensive research and development capabilities and core technologies accumulated in the production of intimate wear, we have been able to expand our product categories and deliver innovations in the functional sports products industry. Our products have expanded from intimate wear to functional sports products such as sports footwear, functional seamless sportswear and wearable related sports products. We believe that we have successfully entered into the sports footwear market that has a huge market size. We also believe that our diverse product offerings enable us to capitalize on changing market trends and consumer preferences globally as well as capturing opportunities in a large number of market segments.

Our product mix affects our financial performance as different product categories and different products within the same product category may have different gross profit margins, depending on factors such as the cost of raw materials, production costs and pricing. In addition, we typically incur various expenses in relation to the commercialization of new products, including research and development costs and capital expenditures, and thus a new product generally experiences a lower gross profit margin at the early development stage after launch, as is the case with our functional sports products in Fiscal 2013 and 2014. As a result, the proportion of new products we have in our product portfolio during any period may affect our overall results of operations. The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Bras and intimate wear	388,142	19.1	507,466	17.8	648,897	22.1
Bra pads and other molded products	237,357	28.5	274,410	34.4	220,542	28.5
Functional sports products . .	763	1.9	8,474	5.7	109,945	23.1
Total	<u>626,262</u>	<u>21.6</u>	<u>790,350</u>	<u>20.8</u>	<u>979,384</u>	<u>23.4</u>

As a finished product, i.e. bras, generates more gross profit than a component, i.e. bra pads, in terms of the absolute amount, bra pads produced by us are first used to meet our production requirements of bras as a priority, with the remaining ones sold to others, to maximize our revenue and gross profit. During the Track Record Period, due to our capacity constraint, we intended to use bra pads produced by us to manufacture our own bras as a priority

FINANCIAL INFORMATION

and we only sold the remaining bra pads to other intimate wear manufacturers for their production of intimate wear. To enhance our overall profitability, during the Track Record Period, we selectively accepted purchase orders for bra pads and other molded products within our production capacity. See “— Principal Components of Consolidated Income Statements — Gross profit and gross profit margin” for details of our gross profit and gross profit margin by product category. Going forward, to maximize our overall profit, we plan to expand our production capacity and continue to introduce new products with higher gross profit margins.

In addition, our ability to continue to grow our business will depend on our ability to expand into new market segments. Bolstered by our strong research and development capabilities, we plan to continue to expand our product offerings in the functional sports products industry. See “Business — Our Business Strategies — Further expand our product portfolio” for more details. However, we cannot assure that our future product research and development projects will be successful or that our newly developed products will achieve anticipated sales target.

Changes in consumption patterns and consumer demand for our customers’ products

The majority of our customers are international brand-name intimate wear and sporting goods companies, and the majority of our revenue is derived from sales to these customers. Consequently, our business and results of operations are indirectly affected by changes in consumption patterns and consumer demand for our customers’ products globally. The global intimate wear industry has been growing steadily at a CAGR of 6.5% from 2009 to 2014 in terms of total retail sales value, according to the Frost & Sullivan Report. According to the same report, the global sports intimate wear market has been growing steadily at a CAGR of 11.5% from 2009 to 2014 in terms of total retail sales value, and is expected to reach total retail sales value of US\$41.9 billion by 2019, which would represent a CAGR of 12.5% from 2014 to 2019.

Consumption patterns and consumer demand for our customers’ products are affected by, among other factors, reputation and popularity of our customers’ brands, rapidly changing fashion trends for intimate wear and sports products, consumer preferences and tastes, consumer purchasing power, government policies, general and local economic conditions, weather conditions, urbanization rates and living standards, many of which are beyond our control. Consequently, our success largely depends on our ability as well as our customers’ ability to accurately anticipate and identify these factors and take them into account during the product planning and commercialization process. This requires a combination of various strategies, including, timely collection of consumer feedback, accurate analysis and prediction of market trends, strong design capability, appropriate inventory management and flexible product production.

FINANCIAL INFORMATION

Our ability to control production costs

Our results of operations have been and will continue to be affected by our ability to control our production costs, including costs of raw materials and employee benefit expenses. Costs of raw materials constituted 42.0%, 42.5% and 40.3%, respectively, of our revenue in Fiscal 2013, 2014 and 2015. The primary raw materials that we use in the production of our products include polyester, polyamide and spandex. We generally do not enter into long-term supply agreements. Our customers typically place order forecast six to 12 months in advance, and typically place purchase orders on a monthly basis. We then place corresponding order forecast with our suppliers and place orders for raw materials after we have received confirmed purchase orders from our customers. The prices of raw materials are determined principally by market forces and changes in governmental policies, as well as our bargaining power with our suppliers. During the Track Record Period, prices of our key raw materials, including polyester, polyamide and spandex, experienced fluctuations. We do not enter into any hedging contracts in relation to commodity prices. However, we have implemented a number of cost-control measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices. These measures include optimizing production procedures to monitor the use of raw materials and cooperating with suppliers to develop cost-efficient functional raw materials.

The following table sets forth the sensitivity analysis on the impact of changes in raw material prices on our gross profit margin during the Track Record Period. A negative/positive number below indicates a decrease/increase in gross profit margin for the period where the price of raw material increases/decreases by 5%. The sensitivity analysis below is in line with historical fluctuations of our gross profit margin due to fluctuations of raw material prices during the Track Record Period.

	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
Change in gross profit margin if average raw material price increases/(decreases) by 5%	-2.1%/(+2.1%)	-2.1%/(+2.1%)	-2.0%/(+2.0%)

Our operations are labor intensive, and cost of skilled labor comprises a large portion of our cost of sales. Despite the continuous increase in minimum wages and the market price for labor in the PRC, during the Track Record Period, employee benefit expenses included in cost of sales as a percentage of our total revenue remained relatively stable, accounting for 26.3%, 27.8% and 27.6%, respectively, of our total revenue in Fiscal 2013, 2014 and 2015. This was attributable to the improved productivity of our employees as a result of the implementation of the lean manufacturing system. Average wages in the PRC are expected to continue growing, which we anticipate will put upward pressure on our labor costs and negatively affect our profit margins. In light of these challenges, we aim to further enhance our cost efficiency and profit margins by improving our manufacturing process, continuing to expand our manufacturing capacity to locations with relatively low labor costs, and improving our logistics and information technology systems.

FINANCIAL INFORMATION

Management and expansion of our production capacity

Growth in our revenue and market share and the diversification of our product mix depends to a large extent on our ability to manage and expand our production capacity. As of the Latest Practicable Date, we operated one production facility with 393 production lines and approximately 2,300 molding machines in Shenzhen, Guangdong, the PRC. In order to meet growing customer demand for our products, we have in the past few years increased our production capacity and output, and expanded, trained and managed our rapidly growing workforce. During the Track Record Period, we maintained consistently high utilization rates at our Shenzhen facility. The following table sets forth a summary of our annual production capacity in terms of the number of products and utilization rates for each of our product categories in our Shenzhen facility for the periods indicated.

Product Category:	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾	Production Capacity	Utilization Rate ⁽¹⁾
	(pieces/pairs)	(%)	(pieces/pairs)	(%)	(pieces/pairs)	(%)
Bras and intimate wear	40,700,000	88	51,600,000	90	58,700,000	90
Bra pads and other molded products	106,000,000	90	117,000,000	89	128,000,000	91
Functional sports products ⁽²⁾	670,000	89	1,590,000	87	3,700,000	90

(1) The utilization rate is calculated based on the actual output for the relevant year divided by the actual designed output capacity for the relevant year on an annualized basis.

(2) The production capacity of our sports footwear was zero, 342,000 pairs and 2,500,000 pairs, respectively, in Fiscal 2013, 2014 and 2015.

In order to ensure sufficient production capacity at all times to meet growing customer demand as well as to capture growth opportunities and expand our market share, we are in the process of establishing additional production facilities in Hai Phong, Vietnam, and Hai Duong Province, Vietnam, respectively. We expect the three facilities in Hai Phong, Vietnam to commence production in the first quarter of 2016, the third quarter of 2016, and 2018, respectively. In addition, the Hai Duong facility is expected to commence production in 2017. See “Business — Production — Production Expansion Plan” for details.

FINANCIAL INFORMATION

Fluctuations in foreign currency exchange rates

We mainly operate in Hong Kong and the PRC and most of our operating expenses are denominated in Renminbi while most of our sales are denominated and settled in U.S. dollars. Therefore, fluctuations in exchange rates between Renminbi and U.S. dollars could materially impact our profit margin and overall results of operations, and there will be gains or losses resulting from fluctuations in the exchange rate. During the Track Record Period, we entered into foreign exchange forward contracts to mitigate our exposures of Renminbi against U.S. dollars. See “— Quantitative and Qualitative Disclosures about Market Risk — Foreign exchange risk” and “— Analysis of Selected Consolidated Balance Sheet Items — Derivative financial instruments” below for more details. Going forward, we expect exchange rates between the Renminbi and the U.S. dollar will continue to fluctuate. In addition, we expect to be subject to risks of fluctuations in exchange rates between the U.S. dollar and the Vietnamese Dong following the establishment of our production facilities in Vietnam. Management will continue to monitor our foreign currency exchange exposure and will take prudent measures to minimize the currency exchange risk.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are set forth in Note 2 to the Accountant’s Report in Appendix I. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

We derive our revenue primarily from direct sales of our products. Revenue from the sales of goods are recognized when the risk and reward of the products have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and collectability of the related receivables is reasonably assured.

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives using the following depreciation rates:

Building	5%
Leasehold improvements	Over the unexpired period of the lease
Plant and machinery	7% to 10%
Office furniture and fixtures	20% to 33%
Computer equipment	20% to 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized within "general and administrative expenses" in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade and bills receivables are amounts due from customers for goods sold in the ordinary course of business. 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

FINANCIAL INFORMATION

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

Financial assets and liabilities

We classify our financial assets and financial liabilities in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Our management determines the classification of our financial assets at initial recognition.

(i) Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss are financial assets/liabilities held for trading. A financial asset/liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Balances in this category are classified as current assets/liabilities.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case they are classified as non-current assets. Our loans and receivables comprise trade and bills receivables, deposits and other receivables, amount due from a shareholder and cash and cash equivalents in the consolidated balance sheet.

FINANCIAL INFORMATION

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investments mature or our management intends to dispose of them within 12 months of the balance sheet date.

Recognition and measurement

Purchases and sales of investments are recognized on the trade date, being the date on which we commit to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets/liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in consolidated income statement when our right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when our right to receive payments is established.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in fair value of the derivative financial instruments which do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Consolidated income statements

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	2,903,273	3,802,971	4,192,009
Cost of sales	(2,277,011)	(3,012,621)	(3,212,625)
Gross profit	626,262	790,350	979,384
Other income	5,595	8,078	3,751
Other gains, net	1,426	6,015	910
Distribution and selling expenses	(74,422)	(75,956)	(79,337)
General and administrative expenses	(279,201)	(317,381)	(311,195)
Research and development costs	(96,382)	(110,112)	(125,792)
Gains/(losses) on derivative financial instruments	18,408	(49,516)	3,156
Finance income	56	2,242	1,423
Finance costs	(48,917)	(53,958)	(52,119)
Finance costs, net	(48,861)	(51,716)	(50,696)
Profit before income tax	152,825	199,762	420,181
Income tax expense	(24,731)	(32,851)	(82,375)
Profit for the year	128,094	166,911	337,806
Adjusted profit for the year⁽¹⁾	112,723	208,257	335,171

Note:

- (1) Adjusted profit for the year refers to profit for the year without including gains/(losses) on derivative financial instruments and related income tax impact, which is derived by deducting gains on derivative financial instruments from profit for the year or adding losses on derivative financial instruments to profit for the year, as applicable, and excluding the related tax impact. This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of our financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of our liquidity.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

Revenue

We derive our revenue primarily from direct sales of our products. Our total revenue increased by 31.0% from HK\$2,903.3 million in Fiscal 2013 to HK\$3,803.0 million in Fiscal 2014, and further by 10.2% from Fiscal 2014 to HK\$4,192.0 million in Fiscal 2015. These increases were primarily due to increases in sales volume of bras and intimate wear as well as functional sports products. During the Track Record Period, our revenue growth was limited by our production capacity, with our revenue increasing at a slower rate in Fiscal 2015 as compared to Fiscal 2014, primarily because our production capacity ran at approximately 90% for our key products during the relevant period.

FINANCIAL INFORMATION

Revenue by product category

The following table sets forth a breakdown of our revenue by product category, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Bras and intimate wear	2,029,924	69.9	2,857,426	75.1	2,941,077	70.2
Bra pads and other molded products	833,530	28.7	796,694	21.0	774,793	18.5
Functional sports products ⁽¹⁾	39,819	1.4	148,851	3.9	476,139	11.3
Total revenue	2,903,273	100.0	3,802,971	100.0	4,192,009	100.0

Note:

(1) Revenue generated from sales of sports footwear amounted to zero, HK\$48.6 million and HK\$367.6 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of functional seamless sportswear amounted to HK\$38.8 million, HK\$96.5 million and HK\$101.9 million, respectively, in Fiscal 2013, 2014 and 2015. Revenue generated from sales of wearable related sports products amounted to HK\$1.0 million, HK\$3.8 million and HK\$6.6 million, respectively, in Fiscal 2013, 2014 and 2015.

The following table sets forth our sales volume and average selling price by product category for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	'000	HK\$	'000	HK\$	'000	HK\$
Bras and intimate wear	37,383	54.3	53,112	53.8	56,668	51.9
Bra pads and other molded products	62,671	13.3	56,907	14.0	54,181	14.3
Functional sports products	599	66.5	1,337	111.3	3,170	150.2

During the Track Record Period, revenue generated from sales of bras and intimate wear continued to increase, primarily due to the increase in sales volume of our products driven by an increased demand from our customers. As a result, revenue generated from sales of bras and intimate wear as a percentage of our total revenue increased from 69.9% in Fiscal 2013 to 75.1% in Fiscal 2014. Revenue generated from sales of bras and intimate wear as a percentage of our total revenue decreased from 75.1% in Fiscal 2014 to 70.2% in Fiscal 2015 primarily due to the significant increase in revenue generated from sales of functional sports products in Fiscal 2015.

The average selling price of bras and intimate wear remained relatively stable in Fiscal 2013 and Fiscal 2014. The average selling price of bras and intimate wear decreased from HK\$53.8 in Fiscal 2014 to HK\$51.9 in Fiscal 2015 primarily as a result of increased proportion of sales of products which had higher gross profit margins but lower selling prices.

Revenue generated from sales of bra pads and other molded products in the absolute amount and as a percentage of our total revenue decreased during the Track Record Period primarily due to the decreased sales volume as a result of the increase of our using of self-produced bra pads to manufacture our own bras as a priority due to our production capacity

FINANCIAL INFORMATION

constraint. See “— Factors affecting our financial condition and results of operations — Our product mix and our ability to expand into new product categories” for details.

The average selling price of bra pads and other molded products increased from HK\$13.3 in Fiscal 2013 to HK\$14.0 in Fiscal 2014 primarily because we continued to make investments in the research and development of break-through technologies and products which enables us to increase the average selling price of our products. The average selling price of bra pads and other molded products remained relatively stable in Fiscal 2014 and Fiscal 2015.

Revenue generated from sales of functional sports products continued to increase in both the absolute amount and as a percentage of our total revenue during the Track Record Period. Such increases were primarily due to our strategic decision to expand our product lines and deliver break-through innovations in the functional sports products industries, in particular, sports footwear.

The sales volume of functional sports products significantly increased during the Track Record primarily due to our strategic decision to expand our product offerings under our sports products business. The average selling price of functional sports products continued to increase during the Track Record Period primarily as a result of the launch of break-through, innovative products with higher average selling prices, such as sports footwear.

Revenue by geographic location

We categorize our revenue based on the country/region in which the customer is headquartered. The following table sets forth a breakdown of our revenue by geographic region, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
United States	1,839,750	63.4	2,689,681	70.7	2,955,768	70.5
Europe	185,020	6.4	224,897	5.9	384,770	9.2
Hong Kong	426,243	14.7	427,044	11.2	353,169	8.4
PRC	159,959	5.5	173,611	4.6	170,013	4.1
Japan	50,671	1.7	113,001	3.0	128,384	3.1
South Asia ⁽¹⁾	128,252	4.4	89,358	2.4	72,402	1.7
South-east Asia ⁽²⁾	94,293	3.2	50,784	1.3	70,566	1.7
Other countries/regions ⁽³⁾	19,085	0.7	34,595	0.9	56,937	1.3
Total revenue	2,903,273	100.0	3,802,971	100.0	4,192,009	100.0

Notes:

- (1) Includes Bangladesh, Sri Lanka and India.
- (2) Includes Malaysia, Indonesia, Singapore, Philippines, Vietnam and Thailand.
- (3) Include Taiwan, Turkey, Australia, Colombia and others.

During the Track Record Period, the United States was our largest market, contributing approximately 63.4%, 70.7% and 70.5%, respectively, of our total revenue in Fiscal 2013, 2014 and 2015. The revenue contributed by the United States as a percentage of our total revenue increased from 63.4% in Fiscal 2013 to 70.7% in Fiscal 2014 primarily due to the increased demand from our customers in the United States and the launch of new sports footwear for

FINANCIAL INFORMATION

Under Armour, in Fiscal 2014. The revenue contributed by the United States as a percentage of our total revenue remained relatively stable between Fiscal 2014 and 2015.

The revenue contributed by our second largest market, Europe, constituted 6.4%, 5.9%, and 9.2%, respectively, of our total revenue in Fiscal 2013, 2014 and 2015. The revenue contributed by Europe as a percentage of our total revenue increased from 5.9% in Fiscal 2014 to 9.2% in Fiscal 2015 primarily due to the increased demand from certain customers in Europe. The revenue contributed by Hong Kong as a percentage of our total revenue continued to decrease throughout the Track Record Period, primarily due to the continuous decrease in the sales volume of bra pads and other molded products as a result of the increase of our using of self-produced bra pads to manufacture our own bras as a priority due to our production capacity constraint.

Cost of sales

Our cost of sales primarily consists of cost of raw materials, employee benefit expense for personnel directly involved in our production activities, depreciation of our production equipment and others.

Our cost of sales increased from HK\$2,277.0 million in Fiscal 2013 to HK\$3,012.6 million in Fiscal 2014 and further to HK\$3,212.6 million in Fiscal 2015, primarily due to increases in costs of raw materials as a result of increased sales, increases in employee benefit expenses as a result of an uplift of the minimum wage floor in the PRC as well as the increased headcount for our production. The following table sets forth a breakdown of our cost of sales, expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Costs of raw materials	1,220,723	42.0	1,618,194	42.5	1,687,928	40.3
Employee benefit expenses	762,528	26.3	1,058,351	27.8	1,155,996	27.6
Depreciation	87,569	3.0	94,129	2.5	104,032	2.5
Others ⁽¹⁾	206,191	7.1	241,947	6.4	264,669	6.2
Total cost of sales	2,277,011	78.4	3,012,621	79.2	3,212,625	76.6

Note:

(1) Includes utilities, consumables, operating lease rental of land and buildings, import tax, carriage, repair and maintenance and others.

Our cost of sales as a percentage of our total revenue remained relatively stable between Fiscal 2013 and 2014. Our cost of raw materials as a percentage of our total revenue decreased from 42.5% in Fiscal 2014 to 40.3% in Fiscal 2015 primarily due to our improved production efficiency as well as our continuous research and development efforts on cost-efficient functional raw materials. Our employee benefit expenses as a percentage of our total revenue decreased from 27.8% in Fiscal 2014 to 27.6% in Fiscal 2015 mainly attributable to the improved productivity of our employees as a result of the implementation of the lean manufacturing system, partly offset by an uplift of employee wages. As a result, our cost of sales as a percentage of our total revenue decreased from 79.2% in Fiscal 2014 to 76.6% in Fiscal 2015.

FINANCIAL INFORMATION

The following table sets forth the sensitivity analysis on the impact of changes in labor costs on our cost of sales, gross profit margin and net profit during the Track Record Period. The sensitivity analysis below is in line with historical fluctuations of our cost of sales, gross profit margin and net profit due to fluctuations of labor costs during the Track Record Period.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Change in the cost of sales if labor costs increase/(decrease) by 10%.	+3.3%/(-3.3%)	+3.5%/(-3.5%)	+3.6%/(-3.6%)
	-262.6 basis	-278.3 basis	-275.8 basis
Change in the gross profit margin if labor costs increase/(decrease) by 10%	(+262.6 basis points)	(+278.3 basis points)	(+275.8 basis points)
Change in the net profit if labor costs increase/(decrease) by 10%	-59.5%/(+59.5%)	-63.4%/(+63.4%)	-34.2%/(+34.2%)

Gross profit and gross profit margin

As a result of the foregoing, our gross profit was HK\$626.3 million, HK\$790.4 million and HK\$979.4 million in Fiscal 2013, 2014 and 2015, respectively. Our overall gross profit margin decreased from 21.6% in Fiscal 2013 to 20.8% in Fiscal 2014, primarily due to a change in revenue mix as a result of increased proportion of sales of bras and intimate wear, which had lower gross profit margins in general compared to that of bra pads and other molded products. Our overall gross profit margin increased to 23.4% in Fiscal 2015 primarily due to our improved production efficiency as a result of the implementation of the lean manufacturing system and the full ramp-up of the newly added production lines.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Bras and intimate wear	388,142	19.1	507,466	17.8	648,897	22.1
Bra pads and other molded products	237,357	28.5	274,410	34.4	220,542	28.5
Functional sports products	763	1.9	8,474	5.7	109,945	23.1
Total gross profit.	<u>626,262</u>	<u>21.6</u>	<u>790,350</u>	<u>20.8</u>	<u>979,384</u>	<u>23.4</u>

Among our product categories, the gross profit margin of bras and intimate wear decreased from 19.1% in Fiscal 2013 to 17.8% in Fiscal 2014, primarily because we added new production lines in response to the significant increase in sales and newly added production lines typically have lower production efficiency in the initial stage of operation. See “Business — Production — Our Production Capacity and Utilization Rate” for details on the annual production and utilization rates during the Track Record Period. Such decrease in the gross profit margin was also attributable to an increase in the average cost of sales of bras and

FINANCIAL INFORMATION

intimate wear resulting from the appreciation of the Renminbi against the U.S. dollar in Fiscal 2014. The gross profit margin of bras and intimate wear increased from 17.8% in Fiscal 2014 to 22.1% in Fiscal 2015, primarily due to the improved production efficiency as a result of the full ramp-up of our newly added production lines in Fiscal 2014, as well as the implementation of our lean manufacturing system. Such increase in the gross profit margin was also attributable to a decrease in the average cost of sales of bras and intimate wear resulting from our continuous research and development efforts on cost-efficient functional raw materials and the depreciation of the Renminbi against the U.S. dollar in Fiscal 2015.

The gross profit margin of bra pads and other molded products increased from 28.5% in Fiscal 2013 to 34.4% in Fiscal 2014 and returned to 28.5% in Fiscal 2015. During the Track Record Period, we continued to make investments in the research and development of break-through technologies and products that enable us to receive more purchase orders for products with higher gross profit margins in Fiscal 2014, which resulted in an increase in the gross profit margin of bra pads and other molded products in Fiscal 2014. In Fiscal 2015, instead of placing orders for these bra pads on a stand-alone basis, many of the relevant customers placed orders for us to manufacture entire bras containing these bra pads, and therefore the relevant revenue was recorded in our bras and intimate wear segment. As a result, the gross profit margin of bra pads and other molded products returned to 28.5% in Fiscal 2015.

The gross profit margin of functional sports products increased from 1.9% in Fiscal 2013 to 5.7% in Fiscal 2014 and further to 23.1% in Fiscal 2015, primarily due to the full ramp-up of our production lines of sports footwear.

Other income

Our other income consists primarily of scrap sales income, dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss and others. We had other income of HK\$5.6 million, HK\$8.1 million and HK\$3.8 million, respectively, representing 0.2%, 0.2% and 0.1%, respectively, of our total revenue in Fiscal 2013, 2014 and 2015.

Other gains, net

Our other net gains consist of gain on disposal of available-for-sale financial assets, loss or gain on financial assets at fair value through profit or loss and impairment loss of available-for-sale financial assets. We had other net gains of HK\$1.4 million, HK\$6.0 million and HK\$0.9 million, respectively, representing 0.05%, 0.2% and 0.02%, respectively, of our total revenue in Fiscal 2013, 2014 and 2015.

Distribution and selling expenses

Our distribution and selling expenses primarily consist of freight and transportation expenses, employee benefit expenses for our sales personnel, traveling expenses, declaration charges, marketing and promotion expenses and others. The following table sets forth a breakdown of the key components of our distribution and selling expenses, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

FINANCIAL INFORMATION

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Freight and transportation expenses	27,236	0.9	30,097	0.8	31,329	0.8
Employee benefit expenses . .	25,322	0.9	27,616	0.7	30,523	0.7
Traveling expenses	5,667	0.2	5,996	0.2	6,113	0.1
Declaration charges	2,842	0.1	1,930	0.0	2,130	0.1
Marketing and promotion expenses	5,862	0.2	4,009	0.1	1,371	0.0
Others ⁽¹⁾	7,493	0.3	6,308	0.2	7,871	0.2
Total	74,422	2.6	75,956	2.0	79,337	1.9

Note:

(1) Includes testing fees, motor vehicle expenses, entertainment expenses, commissions and others.

Our distribution and selling expenses as a percentage of our total revenue continued to decrease during the Track Record Period as we continued to implement cost-control measures such as bulk delivery and to adjust delivery schedules to minimize our freight and transportation expenses and economies of scale achieved as we grew.

General and administrative expenses

Our general and administrative expenses primarily consist of employee benefit expenses for our administrative personnel, depreciation and amortization, other taxes and surcharges, building management fee, insurance, operating lease rental of land and buildings, office and administrative expenses, listing expenses, bank charges, exchange loss or gain and others.

The following table sets forth a breakdown of the key components of our general and administrative expenses, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Employee benefit expenses . .	152,059	5.2	174,091	4.6	189,134	4.5
Depreciation and amortization	27,857	1.0	27,540	0.7	25,132	0.6
Other taxes and surcharges . .	22,539	0.8	29,053	0.8	26,191	0.6
Building management fee . . .	12,984	0.5	12,288	0.3	15,151	0.4
Insurance	3,746	0.1	11,480	0.3	11,684	0.3
Operating lease rental of land and buildings	5,488	0.2	5,855	0.2	7,172	0.2
Office and administrative expenses	5,160	0.2	4,052	0.1	5,592	0.1
Listing expenses	1,095	0.0	857	0.0	6,172	0.1
Bank charges	4,037	0.1	3,879	0.1	3,471	0.1
Exchange loss /(gain)	6,024	0.2	19,515	0.5	(8,278)	(0.2)
Others ⁽¹⁾	38,212	1.3	28,771	0.7	29,774	0.7
Total	279,201	9.6	317,381	8.3	311,195	7.4

Note:

(1) Includes professional fees and others.

FINANCIAL INFORMATION

Employee benefit expenses for our administrative personnel constituted the largest component of our general and administrative expenses during the Track Record Period. Employee benefit expenses increased by 14.5% from HK\$152.1 million in Fiscal 2013 to HK\$174.1 million in Fiscal 2014 and further increased by 8.6% to HK\$189.1 million in Fiscal 2015, primarily due to the increase in our employee wages as a result of an overall increase in employee wages in the PRC as well as the increased headcount to support our growing business. Employee benefit expenses as a percentage of our total revenue decreased from 5.2% in Fiscal 2013 to 4.6% in Fiscal 2014 and further decreased to 4.5% in Fiscal 2015 mainly as a result of our improved human resource management.

Our general and administrative expenses as a percentage of our total revenue decreased from 9.6% in Fiscal 2013 to 8.3% in Fiscal 2014, and further to 7.4% in Fiscal 2015 primarily due to our enhanced operational efficiency as well as greater economies of scale.

Research and development costs

Our research and development costs consist of employee benefit expenses for our research and development personnel, raw materials and consumables used and others. The following table sets forth a breakdown of the key components of our research and development costs, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Fiscal 2013		Fiscal 2014		Fiscal 2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Employee benefit expenses . . .	79,166	2.7	95,765	2.5	111,734	2.7
Raw materials and consumables used	11,116	0.4	8,625	0.2	6,920	0.1
Others ⁽¹⁾	6,100	0.2	5,722	0.2	7,138	0.2
Total	96,382	3.3	110,112	2.9	125,792	3.0

Note:

(1) Includes utilities, depreciation and others.

The increase in our research and development costs during the Track Record Period was primarily due to our strategic focus on innovation, research and development as well as increases in employee benefit expenses of our research and development personnel due to increases in our employee wages. Our research and development costs as a percentage of our total revenue remained relatively stable during the Track Record Period.

Gains or losses on derivative financial instruments

Our gains or losses on derivative financial instruments consist of fair value gains or losses on derivative financial instruments and gains or losses on settlement of derivative financial instruments. See “— Analysis of Selected Consolidated Balance Sheet Items — Derivative financial instruments” for more details. The following table sets forth a breakdown of our gains or losses on derivative financial instruments for the periods indicated.

FINANCIAL INFORMATION

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Fair value (loss)/gain on derivative financial instruments			
– Foreign exchange forward contracts	(6,499)	(98,431)	(14,993)
– Interest rate swap contracts	4,588	13,559	2,750
Gain/(loss) on settlement of derivative financial instruments			
– Foreign exchange forward contracts	11,480	10,839	10,180
– Interest rate swap contracts	(7,505)	(6,872)	(4,926)
– Equity put options ⁽¹⁾	16,344	31,389	10,145
	<u>18,408</u>	<u>(49,516)</u>	<u>3,156</u>

The following table sets forth a breakdown of the net gain/(loss) on derivative financial instruments by category for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Foreign exchange forward contracts	4,981	(87,592)	(4,813)
Interest rate swap contracts	(2,917)	6,687	(2,176)
Equity put options ⁽¹⁾	16,344	31,389	10,145
	<u>18,408</u>	<u>(49,516)</u>	<u>3,156</u>

Note:

(1) We entered into equity put options with a bank during Fiscal 2013, 2014 and 2015 for the purpose of managing the exit from the Group's investment in certain publicly listed shares by batches. The equity put options were documented based on standard forms issued by the International Swaps and Derivatives Association, Inc. (ISDA). Under the terms of these equity put options, the Group was granted put options giving it the right to dispose of those publicly listed shares at the pre-determined price prior to the put option expiration date. We entered into these equity put options to lock in a price for these shares against potential decrease in the spot price. We recognized gains on disposal of such shares in Fiscal 2013, 2014 and 2015 because the pre-determined price exceeded the spot price during the relevant periods. As of March 31, 2015, we did not have any outstanding equity put options.

Finance income

Our finance income represents interest income on bank deposits. We had finance income of HK\$0.06 million, HK\$2.2 million and HK\$1.4 million in Fiscal 2013, 2014 and 2015, respectively.

Finance costs

Our finance costs represent interest expense on amount due to a related party and interest expense on borrowings. We had finance costs of HK\$48.9 million, HK\$54.0 million and HK\$52.1 million in Fiscal 2013, 2014 and 2015, respectively.

As of March 31, 2013 and 2014, we had amount due to a related party of HK\$60.7 million and HK\$61.7 million, respectively, which was unsecured, repayable on demand and carried an interest rate of 3.30% and 3.08%, respectively, in Fiscal 2013 and 2014. The balance of the amount due to a related party was fully settled in Fiscal 2015. See “— Analysis of Selected Consolidated Balance Sheet Items — Amount due to a related party” for more details.

FINANCIAL INFORMATION

As of March 31, 2013, 2014 and 2015, we had borrowings of HK\$1,112.9 million, HK\$1,167.4 million and HK\$1,240.3 million, respectively. All these borrowings were repayable within five years. The weighted average effective interest rate of our borrowings was 3.1%, 2.8% and 2.8% per annum as of March 31, 2013, 2014 and 2015, respectively.

Income tax expense

Income tax expense represents our total current and deferred tax expenses under the relevant Hong Kong and PRC income tax rules and regulations. Our subsidiaries incorporated in Hong Kong were subject to a profit tax at the rate of 16.5% during the Track Record Period. One of the Hong Kong subsidiaries, RMI HK, was subject to Hong Kong profits tax at a preferential rate of 8.25% in respect of its profits derived from the contract processing arrangement during the Track Record Period. The contract processing arrangement was terminated in July 2014 which resulted in RMI HK's loss of the preferential profits tax rate of 8.25% and an increase in the profits tax rate from 8.25% to 16.5% thereafter.

All of our PRC subsidiaries were subject to the statutory enterprise income tax ("EIT") rate of 25% in accordance with the EIT Law during the Track Record Period.

Our Vietnamese subsidiary is subject to the corporate income tax at a rate of 22%. In accordance with the investment certificate, the subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is entitled to a full exemption from the corporate income tax for the first four years from the earlier of (i) the year when taxable income is generated for the first time or (ii) the fourth year of making revenue; and a 50% reduction of the corporate income tax for the nine years thereafter. The subsidiary did not have any taxable profit in Fiscal 2013, 2014 or 2015.

The following table sets forth a breakdown of our current and deferred tax expenses for the periods indicated. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Current income tax			
– Hong Kong profits tax	16,431	25,931	59,264
– PRC EIT	6,522	13,251	23,678
Deferred income tax	1,778	(6,331)	(567)
Total	<u>24,731</u>	<u>32,851</u>	<u>82,375</u>

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Fiscal 2015 compared to Fiscal 2014

Revenue

Our revenue increased by 10.2% from HK\$3,803.0 million in Fiscal 2014 to HK\$4,192.0 million in Fiscal 2015. Our revenue increased at a slower rate in Fiscal 2015 as compared to Fiscal 2014, primarily because our production capacity ran at approximately 90% for our key

FINANCIAL INFORMATION

products during the relevant period. The increase in our revenue in Fiscal 2015 was primarily due to a significant increase in the sales volume of functional sports products as well as a stable increase in the sales volume of bras and intimate wear, partially offset by a decrease in the sales volume of bra pads and other molded products due to production capacity constraint.

In terms of revenue by geographic location, the increase was primarily due to an increase in the sales volume driven by increased demand from our customers based in the United States and Europe, partially offset by a decrease in demand from certain of our customers based in Hong Kong and South Asia.

The revenue from sales to our largest customer decreased by 5.5% from HK\$1,331.2 million in Fiscal 2014 to HK\$1,257.9 million in Fiscal 2015 primarily due to an increase in the proportion of products with lower average selling prices being sold to this customer in Fiscal 2015, notwithstanding the overall number of units sold to this customer had not decreased.

Cost of sales

Our cost of sales increased by 6.6% from HK\$3,012.6 million in Fiscal 2014 to HK\$3,212.6 million in Fiscal 2015. This increase in cost of sales was largely driven by (i) an increase of HK\$69.7 million in cost of raw materials as a result of the increased sales volume and (ii) an increase of HK\$97.6 million in employee benefit expenses as a result of our business expansion.

Gross profit

As a result of the foregoing, our gross profit increased by 23.9% from HK\$790.4 million in Fiscal 2014 to HK\$979.4 million in Fiscal 2015. Our overall gross profit margin increased from 20.8% in Fiscal 2014 to 23.4% in Fiscal 2015 primarily due to our improved production efficiency as a result of full ramp-up of production lines added in Fiscal 2013 and 2014 as well as the implementation of our lean manufacturing system.

Other income

We had other income of HK\$3.8 million in Fiscal 2015, as compared to other income of HK\$8.1 million in Fiscal 2014. Our other income in Fiscal 2015 primarily consisted of (i) scrap sales income of HK\$2.8 million and (ii) dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss of HK\$0.4 million.

Other gains, net

Our other net gains decreased by 84.9% from HK\$6.0 million in Fiscal 2014 to HK\$0.9 million in Fiscal 2015. The decrease was primarily attributable to (i) a decrease of HK\$4.6 million in gain on financial assets at fair value through profit or loss and (ii) a decrease of HK\$0.5 million in gain on disposal of available-for-sale financial assets.

Distribution and selling expenses

Our distribution and selling expenses increased by 4.5% from HK\$76.0 million in Fiscal 2014 to HK\$79.3 million in Fiscal 2015 primarily due to an increase of HK\$1.2 million in

FINANCIAL INFORMATION

freight and transportation expenses. Our distribution and selling expenses as a percentage of our total revenue decreased from 2.0% in Fiscal 2014 to 1.9% in Fiscal 2015 as we continued to implement cost-control measures such as bulk delivery and to adjust delivery schedules to minimize our freight and transportation expenses and economies of scale achieved as we grew.

General and administrative expenses

Our general and administrative expenses decreased by 1.9% from HK\$317.4 million in Fiscal 2014 to HK\$311.2 million in Fiscal 2015. The decrease was primarily attributable to (i) an exchange gain of HK\$8.3 million in Fiscal 2015 as compared to an exchange loss of HK\$19.5 million in Fiscal 2014, (ii) a decrease of HK\$2.9 million in other taxes and surcharges, and (iii) a decrease of HK\$2.4 million in depreciation and amortization, partially offset by (i) an increase of HK\$15.0 million in employee benefit expenses as a result of an overall increase in employee wages in the PRC as well as the increased headcount of our administrative personnel to support our growing business and (ii) an increase of HK\$5.3 million in listing expenses. Our general and administrative expenses as a percentage of our total revenue decreased from 8.3% in Fiscal 2014 to 7.4% in Fiscal 2015.

Research and development costs

Our research and development costs increased by 14.2% from HK\$110.1 million in Fiscal 2014 to HK\$125.8 million in Fiscal 2015, primarily due to an increase of HK\$16.0 million in employee benefit expenses of research and development personnel. Such increases were primarily due to an uplift of the minimum wage floor in the PRC, as well as increased research and development headcount as a result of our strategic focus on innovation, research and development.

Gains or losses on derivative financial instruments

We had gains on derivative financial instruments of HK\$3.2 million in Fiscal 2015, as compared to losses on derivative financial instruments of HK\$49.5 million in Fiscal 2014. The change was primarily due to (i) a decrease of HK\$83.4 million in fair value losses on foreign exchange forward contracts and (ii) a decrease of HK\$1.9 million in losses on settlement of interest rate swap contracts, partially offset by (i) a decrease of HK\$21.2 million in gains on settlement of equity put options, (ii) a decrease of HK\$10.8 million in fair value gains on interest rate swap contracts, and (iii) a decrease of HK\$0.7 million in gains on settlement of foreign exchange forward contracts.

We recognized a net loss on foreign exchange forward contracts of HK\$4.8 million and HK\$87.6 million in Fiscal 2015 and 2014, respectively, mainly against notional principal amounts of US\$34.5 million and US\$63.0 million for foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar as of March 31, 2015 and 2014, respectively. The decrease in the net loss on foreign exchange forward contracts in Fiscal 2015 was primarily because the spot rate of the Renminbi against the U.S. dollars remained at a similar level as of March 31, 2014 and 2015.

We recognized a net loss of interest rate swap contracts of HK\$2.2 million in Fiscal 2015 as compared to a net gain on interest rate swap contracts of HK\$6.7 million in Fiscal 2014. The

FINANCIAL INFORMATION

net loss in Fiscal 2015 was primarily attributable to the fact that the net payment of interests at the pre-determined fixed interest rate exceeded the receipt of interests at the floating interest rate of HIBOR.

A decrease of HK\$21.2 million in gains on settlement of equity put options in Fiscal 2015 was mainly because fewer equity put options were exercised by us in Fiscal 2015.

Finance income

Our finance income decreased by 36.5% from HK\$2.2 million in Fiscal 2014 to HK\$1.4 million in Fiscal 2015 primarily due to maturity of a short-term bank deposits in Fiscal 2014.

Finance costs

Our finance costs decreased by 3.4% from HK\$54.0 million in Fiscal 2014 to HK\$52.1 million in Fiscal 2015 primarily due to a decrease of HK\$1.1 million in the interest expense on amount due to a related party, Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited, as we settled the amount due to a related party in July 2014.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 110.3% from HK\$199.8 million in Fiscal 2014 to HK\$420.2 million in Fiscal 2015.

Income tax expense

Our income tax expense increased by 150.8% from HK\$32.9 million in Fiscal 2014 to HK\$82.4 million in Fiscal 2015, as a result of an increase in our taxable income. Our weighted average applicable tax rate increased from 14.4% in Fiscal 2014 to 18.2% in Fiscal 2015, mainly due to cessation of the contract processing arrangement of RMI HK in July 2014 which resulted in a loss of the preferential profits tax rate of 8.25% and an increase in the profits tax rate from 8.25% to 16.5% thereafter.

Profit for the year

As a result of the cumulative effect of the above factors, our profit for the year increased from HK\$166.9 million in Fiscal 2014 to HK\$337.8 million in Fiscal 2015. Our net margin increased from 4.4% in Fiscal 2014 to 8.1% in Fiscal 2015.

Adjusted profit for the year

Our adjusted profit for the year increased from HK\$208.3 million in Fiscal 2014 to HK\$335.2 million in Fiscal 2015.

FINANCIAL INFORMATION

Fiscal 2014 compared to Fiscal 2013

Revenue

Our revenue increased by 31.0% from HK\$2,903.3 million in Fiscal 2013 to HK\$3,803.0 million in Fiscal 2014. The increase was primarily due to an increase in the sales volume of bras and intimate wear as well as a substantial increase in the sales volume of functional sports products, partially offset by a decrease in the sales volume of bra pads and other molded products due to production capacity constraint.

In terms of revenue by geographic location, the increase was primarily due to an increase in the sales volume driven by increased demand from our customers based in the United States, Hong Kong, Europe and Japan, partially offset by a decrease in demand from certain of our customers based in South Asia and South-east Asia. The increase in the sales volume in the United States was primarily driven by the increased demand from Under Armour.

Cost of sales

Our cost of sales increased by 32.3% from HK\$2,277.0 million in Fiscal 2013 to HK\$3,012.6 million in Fiscal 2014. This increase in cost of sales was primarily driven by an increase of HK\$397.5 million in cost of raw materials due to the increase in the sales volume and an increase of HK\$295.8 million in employee benefit expense as a result of our business expansion.

Gross profit

As a result of the foregoing, our gross profit increased by 26.2% from HK\$626.3 million in Fiscal 2013 to HK\$790.4 million in Fiscal 2014. Our overall gross profit margin, however, decreased from 21.6% in Fiscal 2013 to 20.8% in Fiscal 2014 primarily due to a change in revenue mix as a result of the increased proportion of sales of bras and intimate wear, which had lower gross profit margins in general compared to that of bra pads and other molded products.

Other income

We had other income of HK\$8.1 million in Fiscal 2014, as compared to other income of HK\$5.6 million in Fiscal 2013. Our other income in Fiscal 2014 primarily consisted of scrap sales income of HK\$5.0 million.

Other gains, net

Our other net gains significantly increased by 321.8% from HK\$1.4 million in Fiscal 2013 to HK\$6.0 million in Fiscal 2014. The increase was primarily because we recorded gains of HK\$5.5 million on financial assets at fair value through profit or loss in Fiscal 2014 while we recorded losses of HK\$0.5 million on financial assets at fair value through profit or loss in Fiscal 2013. The increase was partially offset by a decrease of HK\$1.6 million in gain on disposal of available-for-sale financial assets.

FINANCIAL INFORMATION

Distribution and selling expenses

Our distribution and selling expenses increased by 2.1% from HK\$74.4 million in Fiscal 2013 to HK\$76.0 million in Fiscal 2014. Our distribution and selling expenses as a percentage of our total revenue decreased from 2.6% in Fiscal 2013 to 2.0% in Fiscal 2014 as we continued to implement cost-control measures such as bulk delivery and to adjust delivery schedules to minimize our freight and transportation expenses.

General and administrative expenses

Our general and administrative expenses increased by 13.7% from HK\$279.2 million in Fiscal 2013 to HK\$317.4 million in Fiscal 2014. The increase was primarily attributable to (i) an increase of HK\$13.5 million in exchange loss, (ii) an increase of HK\$6.5 million in other taxes and surcharges, (iii) an increase of HK\$7.7 million in insurance in relation to our key person insurance policy for one of the key executives, and (iv) an increase of HK\$22.0 million in employee benefit expenses due to an overall increase in employee wages in the PRC. The increase was partially offset by (i) a decrease of HK\$0.3 million in depreciation and amortization, (ii) a decrease of HK\$1.1 million in office and administrative expenses due to a one-off support fee of HK\$2.0 million for our SAP system in Fiscal 2013, which fee was not incurred in Fiscal 2014, and (iii) a decrease of HK\$0.7 million in building management fee. Our general and administrative expenses as a percentage of our total revenue decreased from 9.6% in Fiscal 2013 to 8.3% in Fiscal 2014 primarily due to greater economies of scale as we grew.

Research and development costs

Our research and development costs increased by 14.2% from HK\$96.4 million in Fiscal 2013 to HK\$110.1 million in Fiscal 2014, primarily due to an increase of HK\$16.6 million in employee benefit expenses of research and development personnel as a result of an uplift of the minimum wage floor in the PRC as well as the increased headcount, partially offset by a decrease of HK\$2.5 million in raw materials and consumables used.

Gains or losses on derivative financial instruments

We had losses of HK\$49.5 million on derivative financial instruments in Fiscal 2014, as compared to gains of HK\$18.4 million on derivative financial instruments in Fiscal 2013, primarily due to (i) an increase of HK\$91.9 million in fair value losses on foreign exchange forward contracts due to depreciation of Renminbi against U.S. dollars and (ii) a decrease of HK\$0.6 million in gains on settlement of foreign exchange forward contracts due to depreciation of Renminbi against U.S. dollars, partially offset by (i) an increase of HK\$9.0 million in fair value gains on interest rate swap contracts, (ii) an increase of HK\$15.0 million in gains on settlement of equity put options, and (iii) a decrease of HK\$0.6 million in losses on settlement of interest rate swap contracts.

We recognized a net gain on foreign exchange forward contracts of HK\$5.0 million in Fiscal 2013 mainly against a notional principal amount of US\$14.0 million for foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar as of March 31, 2013 because the pre-determined exchange rates of the Renminbi against the U.S. dollars of these foreign exchange forward contracts were higher than the spot rates in Fiscal 2013. We

FINANCIAL INFORMATION

recognized a net loss on foreign exchange forward contracts of HK\$87.6 million in Fiscal 2014 mainly against a notional principal amount of US\$63.0 million for foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar as of March 31, 2014 because the Renminbi depreciated against the U.S. dollars towards the end of Fiscal 2014 to a level lower than the pre-determined exchange rates of the foreign exchange forward contracts entered into in Fiscal 2014.

We recognized a net loss on interest rate swap contracts of HK\$2.9 million in Fiscal 2013 because the net payment of interests at the pre-determined fixed interest rate exceeded the receipt of interests at the floating interest rate of HIBOR. We recognized a net gain on interest rate swap contracts of HK\$6.7 million in Fiscal 2014 mainly because we entered into two new interest rate swap contracts in Fiscal 2014 to partially unwind the loss-making interest rate swap contracts entered into in prior years.

An increase of HK\$15.0 million in gains on settlement of equity put options in Fiscal 2014 was mainly because more equity put options were exercised by us in Fiscal 2014.

Finance income

Our finance income significantly increased from HK\$0.06 million in Fiscal 2013 to HK\$2.2 million in Fiscal 2014 due to an increase in our bank deposits.

Finance costs

Our finance costs increased by 10.3% from HK\$48.9 million in Fiscal 2013 to HK\$54.0 million in Fiscal 2014 primarily due to (i) an increase of HK\$3.0 million in the interest expense on borrowings as a result of an increase in the balance of borrowings and (ii) an increase of HK\$2.1 million in the interest expense on amount due to a related party as a result of an increase in the balance of the amount due to a related party.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 30.7% from HK\$152.8 million in Fiscal 2013 to HK\$199.8 million in Fiscal 2014.

Income tax expense

Our income tax expense increased by 32.8% from HK\$24.7 million in Fiscal 2013 to HK\$32.9 million in Fiscal 2014, as a result of an increase in taxable income. Our weighted average applicable tax rate remained relatively stable at 15.0% and 14.4% in Fiscal 2015 and 2014, respectively.

Profit for the year

As a result of the cumulative effect of the above factors, our profit for the year increased from HK\$128.1 million in Fiscal 2013 to HK\$166.9 million in Fiscal 2014. Our net margin remained stable at 4.4% in Fiscal 2013 and 2014.

FINANCIAL INFORMATION

Adjusted profit for the year

Our adjusted profit for the year increased from HK\$112.7 million in Fiscal 2013 to HK\$208.3 million in Fiscal 2014.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our operations primarily with net cash generated from our operations and borrowings, and our funds were primarily used for capital expenditures on purchases of production lines for functional sports products and the establishment of our Hai Phong facilities in Vietnam. As of March 31, 2015, we had HK\$267.2 million in cash and cash equivalents and short-term bank deposits, of which HK\$128.0 million were denominated in HK dollar, HK\$86.6 million were denominated in Renminbi, HK\$49.7 million were denominated in U.S. dollar, HK\$2.5 million were denominated in Vietnamese Dong, HK\$0.4 million were denominated in Euro, while the remaining balances were denominated in other currencies. We expect to incur capital expenditures on the establishment of additional production facilities in Hai Phong, Vietnam, Hai Duong Province, Vietnam and Wujiang, Suzhou, Jiangsu Province, the PRC in the near future. See “— Capital Expenditures” and “Future Plans and Use of Proceeds” for more details.

Consolidated cash flow statements

The following table sets forth a summary of our consolidated cash flow statements of for the periods indicated.

	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Net cash generated from operating activities	186,234	348,021	663,735
Net cash used in investing activities	(307,944)	(275,313)	(584,942)
Net cash generated from/(used in) financing activities	<u>201,188</u>	<u>518</u>	<u>(40,915)</u>
Net increase in cash and cash equivalents	79,478	73,226	37,878
Cash and cash equivalents at beginning of the year	63,230	142,767	217,696
Currency translation differences	<u>59</u>	<u>1,703</u>	<u>(845)</u>
Cash and cash equivalents at end of the year . .	<u>142,767</u>	<u>217,696</u>	<u>254,729</u>

Operating activities

We derive our cash inflows from operations principally from the receipts in respect of the sales of our products. Our cash outflows from operations are principally payments for purchases of products and raw materials, distribution and selling expenses, general and administrative expenses, research and development costs and other operating expenses.

Cash generated from operations reflects our profit before income tax, adjusted for (i) the cash flow effects of certain income statement items, including amortization of leasehold land and land use rights, amortization of intangible assets, depreciation of property, plant and equipment, loss on disposal of property, plant and equipment, gain on disposal of

FINANCIAL INFORMATION

available-for-sale financial assets, gain/loss on derivative financial instruments, loss/gain on financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, finance income and finance costs, and (ii) the effects of changes in our working capital, including changes in inventories, trade and bills receivables, deposits, prepayments and other receivables, trade payables, accruals and other payables and financial assets at fair value through profit or loss.

In Fiscal 2015, net cash generated from operating activities was HK\$663.7 million, consisting of cash generated from operations of HK\$745.5 million and profit tax paid of HK\$81.8 million. Working capital adjustments reflected (i) an increase in accruals and other payables of HK\$57.1 million primarily as a result of increases in purchases of property, plant and equipment, (ii) an increase in trade payables of HK\$45.6 million primarily due to our business expansion, (iii) a decrease in trade and bills receivables of HK\$40.5 million primarily due to our improved collection of trade and bills receivables, and (iv) a decrease in financial assets at fair value through profit or loss of HK\$25.1 million. Such adjustments were offset in part by (i) an increase in inventories of HK\$18.6 million primarily due to sales growth and (ii) an increase in deposits, prepayments and other receivables of HK\$2.5 million primarily due to increased prepayments for purchases of land use rights in connection with our planned Hai Phong facilities.

In Fiscal 2014, net cash generated from operating activities was HK\$348.0 million, consisting of cash generated from operations of HK\$369.2 million and profit tax paid of HK\$21.2 million. Negative working capital adjustments reflected (i) an increase in trade and bills receivables of HK\$197.6 million primarily due to an increase in sales as a result of the increasing customer demand, (ii) an increase in deposits, prepayments and other receivables of HK\$6.7 million primarily due to a VAT tax refund for our purchases of equipment, and (iii) an increase in inventories of HK\$0.4 million primarily as a result of sales expansion. Such negative adjustments were offset in part by (i) a decrease in financial assets at fair value through profit or loss of HK\$61.7 million, (ii) an increase in trade payables of HK\$39.8 million primarily due to increased purchases of raw materials toward the end of Fiscal 2014 in response to our increased sales before the year end of Fiscal 2014, and (iii) an increase in accruals and other payables of HK\$53.9 million primarily due to costs in connection with increases in sales and production volume.

In Fiscal 2013, net cash generated from operating activities was HK\$186.2 million, consisting of cash generated from operations of HK\$204.5 million and profit tax paid of HK\$18.3 million. Negative working capital adjustments reflected primarily (i) an increase in inventories of HK\$75.6 million primarily as a result of sales growth and (ii) an increase in trade and bills receivables of HK\$72.4 million primarily due to the ramp up of sales to customers. Such negative adjustments were offset in part by (i) an increase in accruals and other payables of HK\$20.1 million, (ii) an increase in trade payables of HK\$15.7 million, and (iii) a decrease in financial assets at fair value through profit or loss of HK\$18.6 million.

Investing activities

Our cash outflows from investing activities reflect purchases of items of property, plant and equipment, prepayments for purchases of items of property, plant and equipment and intangible assets, purchases of leasehold land and land use rights, prepayments for purchase of

FINANCIAL INFORMATION

land use rights, purchases of items of intangible assets, additions of available-for-sale financial assets, increases of short-term bank deposits, payments for settlement of derivative financial instruments, and increases in amount due from a shareholder. Our cash inflows from investing activities reflect a decrease in short-term bank deposits, proceeds from disposal of items of property, plant and equipment, proceeds from disposals of available-for-sale financial assets, proceeds from settlement of derivative financial instruments and interest received.

Net cash used in investing activities in Fiscal 2015 was HK\$584.9 million, which was primarily attributable to the following: (i) an increase in amount due from a shareholder of HK\$286.7 million representing advances by the Group to the shareholder, (ii) cash expenditure for purchases of property, plant and equipment of HK\$220.7 million in connection with our planned facilities in Vietnam, (iii) cash expenditure for purchases of leasehold land and land use rights of HK\$96.0 million, and (iv) additions of available-for-sale financial assets of HK\$15.8 million, partially offset by a decrease in short-term bank deposits of HK\$49.2 million and proceeds from disposals of available-for sale financial assets of HK\$14.6 million.

Net cash used in investing activities in Fiscal 2014 was HK\$275.3 million, which was primarily attributable to (i) cash expenditure for purchases of property, plant and equipment of HK\$153.7 million mainly in connection with our newly launched functional sports products businesses, (ii) an increase in amount due from a shareholder of HK\$122.2 million representing advances by the Group to the shareholder, (iii) additions of available-for-sale financial assets of HK\$19.2 million, and (iv) cash expenditure for purchases of intangible assets of HK\$9.1 million in connection with the SAP system upgrade, partially offset by proceeds from settlement of derivative financial instruments of HK\$28.5 million.

Net cash used in investing activities in Fiscal 2013 was HK\$307.9 million, which was primarily attributable to the following: (i) an increase in amount due from a shareholder of HK\$201.6 million representing advances by the Group to the shareholder, (ii) an increase in short-term bank deposits of HK\$60.7 million, (iii) cash expenditure for purchases of property, plant and equipment of HK\$55.3 million mainly in connection with our newly launched functional sports products businesses, (iv) additions of available-for-sale financial assets of HK\$11.2 million, and (v) cash expenditure for purchases of intangible assets of HK\$8.5 million in connection with the SAP system upgrade, partially offset by (i) proceeds from disposals of available-for-sale financial assets of HK\$18.4 million and (ii) proceeds from settlement of derivative financial instruments of HK\$15.0 million.

Financing activities

Our cash inflows from financing activities primarily include proceeds from borrowings and advance from a related party. Our cash outflows from financing activities primarily include repayments of borrowings, repayment to a related party and interest paid.

Net cash used in financing activities in Fiscal 2015 was HK\$40.9 million, which was attributable to (i) repayments of borrowings of HK\$412.5 million, (ii) repayment to a related party of HK\$61.7 million, and (iii) interest paid of HK\$52.1 million, partially offset by proceeds from borrowings of HK\$485.4 million.

Net cash generated from financing activities in Fiscal 2014 was HK\$0.5 million, which was attributable to proceeds from borrowings of HK\$274.8 million, partially offset by (i) repayments of borrowings of HK\$224.4 million and (ii) interest paid of HK\$49.9 million.

FINANCIAL INFORMATION

Net cash generated from financing activities in Fiscal 2013 was HK\$201.2 million, which was attributable to (i) proceeds from borrowings of HK\$296.1 million and (ii) advance from a related party of HK\$60.7 million, partially offset by (i) repayments of borrowings of HK\$106.6 million and (ii) interest paid of HK\$48.9 million.

CAPITAL EXPENDITURES

Our capital expenditures increased from HK\$63.8 million in Fiscal 2013 to HK\$167.0 million in Fiscal 2014, and further increased to HK\$332.8 million in Fiscal 2015. Our capital expenditures were used primarily for purchases of production lines for functional sports products and the establishment of our Hai Phong facilities. The following table sets forth our capital expenditures for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
	HK\$'000	HK\$'000	HK\$'000
Additions to:			
Property, plant and equipment	55,278	157,812	220,716
Leasehold land and land use rights	–	–	98,209
Intangible assets	8,530	9,144	13,884
Total	<u>63,808</u>	<u>166,956</u>	<u>332,809</u>

During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations and bank loans. For the years ending March 31, 2016 and 2017, our planned capital expenditure is expected to be HK\$660.0 million and HK\$862.0 million, respectively, subject to adjustment based on market conditions. We plan to fund our planned capital expenditure by using the cash on our balance sheet, the cash flow generated from our operations, the cash from bank borrowings and the net proceeds received from the Global Offering. See “Business — Our Business Strategies — Further expand manufacturing capacities in multiple regions” for details of our expansion plan and “Future Plans and Use of Proceeds — Use of Proceeds” for the portion of capital expenditures to be funded by the proceeds from the Global Offering.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital commitments

Our capital commitments during the Track Record Period were primarily relating to the construction of production lines and purchase of leasehold land and land use rights. The following table sets forth the total amount of our capital expenditures contracted for but not yet incurred in respect of acquisitions of property, plant and equipment as well as leasehold land and land use rights as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	10,719	23,636	82,853
Leasehold land and land use rights	–	17,754	35,469
	<u> </u>	<u> </u>	<u> </u>

FINANCIAL INFORMATION

Operating lease commitments

We lease a number of land and buildings under non-cancellable lease agreements. The following table sets forth the future aggregate minimum lease payments in respect of our rented land and buildings under our non-cancellable lease agreements as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Not later than one year	39,218	51,775	79,088
Later than one year and not later than five years	62,145	82,069	143,827
Later than five years	38,976	27,415	14,691
Total	<u>140,339</u>	<u>161,259</u>	<u>237,606</u>

WORKING CAPITAL

We recorded net current assets of HK\$192.5 million, HK\$292.7 million and HK\$364.8 million, respectively, as of March 31, 2013, 2014 and 2015. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of March 31,			As of July 31, 2015
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Inventories	554,128	557,877	573,715	696,885
Trade and bills receivables	273,291	471,501	430,716	425,103
Deposits, prepayments and other receivables	10,739	20,477	20,462	38,684
Amount due from a shareholder	384,847	444,012	500,740	651,391
Available-for-sale financial assets	—	15,465	4,949	4,974
Derivative financial instruments	1,916	5,684	1,341	575
Financial assets at fair value through profit or loss	80,400	24,145	—	—
Current income tax assets	—	—	4,581	1,720
Short-term bank deposits	60,676	61,697	12,495	12,485
Cash and cash equivalents	142,767	217,696	254,729	168,198
Total current assets	<u>1,508,764</u>	<u>1,818,554</u>	<u>1,803,728</u>	<u>2,000,015</u>
Current liabilities				
Trade payables	271,186	310,974	356,588	456,747
Accruals and other payables	129,815	186,033	241,761	275,511
Amount due to a related party	60,676	61,696	—	—
Borrowings	790,847	803,657	685,013	865,150
Derivative financial instruments	30,407	112,196	98,465	42,688
Current income tax liabilities	33,314	51,320	57,085	67,086
Total current liabilities	<u>1,316,245</u>	<u>1,525,876</u>	<u>1,438,912</u>	<u>1,707,182</u>
Net current assets	<u>192,519</u>	<u>292,678</u>	<u>364,816</u>	<u>292,833</u>

FINANCIAL INFORMATION

Working Capital Sufficiency

Taking into account cash and cash equivalents on hand, our operating cash flows, banking facilities and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. As of July 31, 2015, we had cash and cash equivalents of HK\$168.2 million.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment, leasehold land and land use rights and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue debt securities or borrow from lending institutions. See “Risk Factors — Risks Relating to Our Industry and Business — We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.”

ANALYSIS OF SELECTED CONSOLIDATED BALANCE SHEET ITEMS

Property, plant and equipment

Our property, plant and equipment increased by HK\$41.9 million from HK\$934.4 million as of March 31, 2013 to HK\$976.3 million as of March 31, 2014, primarily due to additions of plant and machinery of HK\$92.5 million and additions of leasehold improvement of HK\$37.8 million as a result of purchases of production lines for functional sports products, partially offset by depreciation of plant and machinery of HK\$57.4 million and depreciation of leasehold improvements of HK\$46.0 million.

Our property, plant and equipment increased by HK\$91.1 million from HK\$976.3 million as of March 31, 2014 to HK\$1,067.4 million as of March 31, 2015 primarily due to additions of construction in progress of HK\$167.4 million, partially offset by depreciation of plant and machinery of HK\$63.0 million and depreciation of leasehold improvements of HK\$47.2 million. Additions of construction in progress were primarily related to our planned production facilities in Hai Phong, Vietnam.

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods. To minimize the risk of inventory build-up, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 36.7%, 30.7% and 31.8% of our total current assets as of March 31, 2013, 2014 and 2015, respectively.

FINANCIAL INFORMATION

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Raw materials	229,153	231,691	254,495
Work-in-progress	234,268	263,991	293,607
Finished goods	90,707	62,195	25,613
	554,128	557,877	573,715

Our inventory slightly increased from HK\$554.1 million as of March 31, 2013 to HK\$557.9 million as of March 31, 2014, primarily due to an increase in work-in-progress of HK\$29.7 million mainly due to the increase in customer orders as well as our production capacity. Such increase was partially offset by a decrease in finished goods of HK\$28.5 million mainly due to improved inventory control through our SAP system, as well as the new practice adopted by some of our customers to place orders with us in relatively small batches on a more frequent basis.

Our inventory increased from HK\$557.9 million as of March 31, 2014 to HK\$573.7 million as of March 31, 2015, primarily due to an increase in work-in-progress of HK\$29.6 million and an increase in raw materials of HK\$22.8 million mainly due to the increase in customer orders as well as our production capacity. Such increase was largely offset by a decrease in finished goods of HK\$36.6 million mainly as a result of our stringent inventory management as well as the practice adopted by more customers to place orders with us in smaller batches on a more frequent basis to improve production efficiency of both the customers and us. As of July 31, 2015, HK\$459.7 million, or 80.1%, of our inventories had been used or consumed subsequent to March 31, 2015.

The following table sets forth our inventory turnover days for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Inventory turnover days ⁽¹⁾	82	67	64

Note:

(1) Inventory turnover days are derived by dividing the average inventory for the relevant period by cost of sales and multiplying by 365 days.

Our inventory turnover days decreased from 82 days in Fiscal 2013 to 67 days in Fiscal 2014 primarily due to our improved inventory control resulting from the implementation of our SAP system. Our inventory turnover days decreased from 67 days in Fiscal 2014 to 64 days in Fiscal 2015 primarily due to benefits deriving from the practice adopted by some of our customers to place orders with us in smaller batches on a more frequent basis. We aim to continue to actively manage our inventory turnover days in the future.

Our Directors believe that our inventory provision policy is in compliance with the HKFRSs. No inventory provisions were made as of March 31, 2013, 2014 or 2015.

FINANCIAL INFORMATION

Trade and bills receivables

The following table sets forth our trade and bills receivables as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Trade and bills receivables	<u>273,291</u>	<u>471,501</u>	<u>430,716</u>

Our trade and bills receivables represent receivables from our customers. We typically grant our customers a credit period of 30 to 120 days.

Our trade and bills receivables increased from HK\$273.3 million as of March 31, 2013 to HK\$471.5 million as of March 31, 2014 primarily because of an increase in sales as a result of the increasing customer demand. Our trade and bills receivables decreased from HK\$471.5 million as of March 31, 2014 to HK\$430.7 million as of March 31, 2015 primarily as a result of our improved collection of trade receivables.

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Trade and bills receivables turnover days ⁽¹⁾	<u>30</u>	<u>36</u>	<u>39</u>

Note:

(1) Trade and bills receivables turnover days are equal to the average balance of trade and bills receivables at the beginning and the end of the relevant period divided by revenue for such period and multiplied by 365 days.

Our trade and bills receivables turnover days increased from 30 days in Fiscal 2013 to 36 days in Fiscal 2014 and further to 39 days in Fiscal 2015 primarily due to increases in sales to customers with longer credit terms. We have undertaken measures aimed at reducing our trade and bills receivables turnover days. We regularly review our customers' payment history and also review the aging of our trade and bills receivables on a monthly basis. We believe our credit control policy is appropriate.

FINANCIAL INFORMATION

The following table sets forth the aging analysis of our gross trade and bills receivables as of the dates indicated, based on the due date.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current	177,228	347,591	328,783
1-30 days	59,851	58,789	79,274
31-60 days	19,568	26,270	6,325
61-90 days	4,591	11,628	8,545
Over 90 days	12,053	27,223	7,789
Amounts past due but not impaired	96,063	123,910	101,933
	<u>273,291</u>	<u>471,501</u>	<u>430,716</u>

We consider an amount that is not paid on schedule pursuant to the agreement with us to be past due. Our trade and bills receivables past due were primarily due to late payments. As of March 31, 2013, 2014 and 2015, the amounts past due but not impaired of our trade and bills receivables were HK\$96.1 million, HK\$123.9 million and HK\$101.9 million, accounting for 35.2%, 26.3% and 23.7% of our total trade and bills receivables, respectively. We do not hold any collateral against our trade receivables. We review the aging of trade and bills receivables on a monthly basis. As of July 31, 2015, 98.5% of our trade and bills receivables as of March 31, 2015 had been settled subsequent to March 31, 2015.

As of March 31, 2013, 2014 and 2015, no trade and bills receivables were past due and impaired.

Deposits, prepayments and other receivables

The following table sets forth our deposits, prepayments and other receivables as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Non-current portion			
Rental deposits	3,932	1,013	3,419
Prepayments for purchase of property, plant and equipment and intangible assets . .	4,086	—	6,787
Prepayments for purchase of land use rights . . .	—	2,165	4,013
	<u>8,018</u>	<u>3,178</u>	<u>14,219</u>

FINANCIAL INFORMATION

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current portion			
Rental, utilities and other deposits	1,395	4,248	2,249
Deferred listing expenses	365	650	2,545
Value-added tax recoverable	5,785	9,877	8,832
Other prepayments	1,658	3,638	6,111
Other receivables	1,536	2,064	725
	<u>10,739</u>	<u>20,477</u>	<u>20,462</u>
	<u>18,757</u>	<u>23,655</u>	<u>34,681</u>

Our deposits, prepayments and other receivables increased by HK\$4.9 million from HK\$18.8 million as of March 31, 2013 to HK\$23.7 million as of March 31, 2014 primarily due to (i) an increase of HK\$4.1 million in value-added tax recoverable as a result of a VAT tax refund for our purchases of equipment, (ii) an increase of HK\$2.9 million in rental, utilities and other deposits in connection with reclassification of lease deposit due in 2015 to current portion, (iii) an increase of HK\$2.2 million in prepayments of purchase of land use right in connection with the establishment of our production facilities in Hai Phong, Vietnam, and (iv) an increase of HK\$2.0 million in other prepayments as a result of increases in prepayments to suppliers and patent registration, partially offset by (i) a decrease of HK\$4.1 million in prepayments for purchase of property, plant and equipment and intangible assets and (ii) a decrease of HK\$2.9 million in rental deposits. We incurred prepayments for purchase of property, plant and equipment of HK\$4.1 million in Fiscal 2013 primarily in connection with the establishment of our research and development center in the Shenzhen facility.

Our deposits, prepayments and other receivables increased by HK\$11.0 million from HK\$23.7 million as of March 31, 2014 to HK\$34.7 million as of March 31, 2015, primarily due to (i) an increase of HK\$6.8 million in prepayments for purchase of property, plant and equipment and intangible assets in connection with the establishment of our production facilities in Hai Phong, Vietnam, (ii) an increase of HK\$2.4 million in rental deposits in connection with reclassification of rental deposits from current to non-current portion, (iii) an increase of HK\$1.9 million in deferred listing expenses, and (iv) an increase of HK\$1.8 million in prepayments for purchase of land use rights in connection with the establishment of our production facilities in Hai Phong, Vietnam, partially offset by a decrease of HK\$2.0 million in rental, utilities and other deposits as a result of reclassification of rental deposits from non-current to current portion.

Available-for-sale financial assets

Our available-for-sale financial assets represent equity securities listed in Hong Kong as well as other unlisted financial products, including debt securities, investment funds and insurance policy investments.

FINANCIAL INFORMATION

The following table sets forth our available-for-sale financial assets as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Listed:			
– Equity securities listed in Hong Kong	632	–	–
Unlisted:			
– Debt securities	7,246	20,343	4,949
– Investment funds	3,102	2,895	3,885
– Insurance policy investment ⁽¹⁾	<u>59,640</u>	<u>67,987</u>	<u>85,508</u>
	<u>70,620</u>	<u>91,225</u>	<u>94,342</u>

⁽¹⁾ These insurance policies are long-term, principal protected but are not fixed income investments in nature.

Our available-for-sale financial assets increased from HK\$70.6 million as of March 31, 2013 to HK\$91.2 million as of March 31, 2014 primarily due to increased purchases of debt securities and additions of the insurance policy investments. Our available-for-sale financial assets increased from HK\$91.2 million as of March 31, 2014 to HK\$94.3 million as of March 31, 2015 primarily due to additions of the insurance policy investments. For a discussion of our available-for-sale financial assets, see Note 17 to the Accountant's Report in Appendix I.

As part of our treasury management, we invest in available-for-sale financial assets as a supplemental means to improve utilization of our cash on hand on a short-term basis while at the same time investing in long-term insurance policies that provide guaranteed principal. During the Track Record Period, a portion of our available-for-sale financial assets have been pledged to secure our bank borrowings. We have implemented internal policies which set forth overall principles as well as detailed approval processes of our investment activities.

Our investment management policy includes, among other things, the following:

- investment should be undertaken only in situations where we have surplus cash not required for our short-term working capital purposes in the following one to three months;
- investments in high-risk products are not permitted;
- criteria for selecting investments to be considered by our senior management include liquidity, risk and expected yield. The investment should not be high risk and should provide reasonable return while maintaining liquidity; and
- investments should be non-speculative in nature.

We consider the risk level of our financial asset investments based on the risk classifications provided by the relevant banks or issuers, and do not invest in financial assets that are classified as high risk by the relevant banks or issuers.

FINANCIAL INFORMATION

In order to further reduce risks associated with our investments in financial assets described above, we have in the past, and may continue in the future, to seek investments that provide guaranteed principal and other low-risk wealth management products that will provide higher investment returns than fixed rate returns from cash deposits at commercial banks.

The treasury function of the finance department conducts initial assessment and analysis on risk and benefit of each investment. Feasibility analysis, expert opinions, audited financial statements and asset assessment reports, if applicable, and draft legal documentation are required to be submitted by our financial controller to our management team for evaluation and approval. Prior approvals from our chief financial officer and one of our executive Directors must be obtained, depending on the amount and term of the investment. Our investment management policy does not set forth any maximum amount or duration with respect to investments in equity securities or insurance policies. Our investment decisions, including the amount and duration of each investment, is made on a case by case basis after due and careful consideration of a number of factors, including the available investment vehicles, the purchase cost, the potential benefit and loss of the investment and the expected market trends. Our accounting personnel are responsible for the review of our annual investment budgets and accounting review and management of each investment. Going forward, our Audit Committee may also review our new investment in the amount exceeding 5% of our net assets, and such 5% threshold will be subject to review by the Board and the independent non-executive Directors from time to time. Our internal audit personnel will be charged with monitoring and supervising all investments and will also be required to submit reports and investment return analysis regularly on all investments during the investment process. The reports and investment return analysis submitted by our internal audit personnel will be reviewed by our Board of Directors.

Our chief financial officer, Mr. Yiu, has over 16 years of experience in financial management. Mr. Yiu has extensive cash and treasury management experiences, including, but not limited to, monitoring our cash position and bank borrowing rates. Mr. Yiu's cash and treasury management experiences also consist of working closely with commercial banks, evaluating appropriate financial asset investment opportunities, making investment decisions and monitoring the performance of our financial asset investments. Our financial controller, Mr. Law, has approximately 14 years of experience in auditing, financial reporting and corporate finance. Since joining the Group in 2011, Mr. Law has been responsible for the initial assessment and analysis on risk and benefit of our investment activities. See "Directors, Senior Management and Employees" for details of their background, qualification and experience.

During the Track Record Period, we maintained a general stop-loss policy with respect to our investments in financial assets, pursuant to which our accounting and finance departments monitor the performance of our investments on a regular basis. While we did not set a specific quantitative stop-loss benchmark, we may redeem all or part of our investments in financial assets based on a number of factors, including, among others, prevalent market conditions, performance of the underlying investments and our expectation of realizing investment gain as set forth in the initial investment plans.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss represent market value of equity securities listed on the Stock Exchange. As of March 31, 2013, 2014 and 2015, our financial

FINANCIAL INFORMATION

assets at fair value through profit or loss totaled HK\$80.4 million, HK\$24.1 million and zero, respectively. For a discussion of our financial assets at fair value through profit or loss, see Note 18 to the Accountant's Report in Appendix I.

Derivative financial instruments

The following table sets forth our derivative financial instruments, which include foreign exchange forward contracts and interest rate swap contracts, as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Assets			
Foreign exchange forward contracts	1,916	606	1
Interest rate swap contracts	—	5,078	1,340
	<u>1,916</u>	<u>5,684</u>	<u>1,341</u>
Liabilities			
Foreign exchange forward contracts	7,803	98,073	90,832
Interest rate swap contracts	22,604	14,123	7,633
	<u>30,407</u>	<u>112,196</u>	<u>98,465</u>

As most of our operating expenses are denominated in Renminbi and most of our sales are denominated and settled in U.S. dollars and we had borrowings with floating interest rates, during the Track Record Period, we entered into foreign exchange forward contracts and interest rate swap contracts to mitigate our exposures to foreign exchange risks and interest rate risks, respectively.

- *Foreign Exchange*

We entered into foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar under which any Renminbi appreciation beyond the pre-determined exchange rates would result in gains for us and effectively mitigate our exposure to the Renminbi exchange rate risk. At the relevant times, the Renminbi against the U.S. dollar had appreciated over 40% since January 1994, reaching a peak in November 2013.

- *Interest Rates*

We entered into our first interest rate swap contract in respect of fixed interest rate and floating interest rate of HIBOR under which any increase of three-month HIBOR beyond the pre-determined fixed interest rates would result in gains for us and allow us to successfully mitigate against the increasing floating interest rate of HIBOR. At the relevant times, the market was expecting interest rates to increase following a prolonged period of low interest rate fiscal policy.

While the foreign exchange forward contracts and interest rate swap contracts resulted in a gain of HK\$2.1 million in Fiscal 2013, a reversal of the appreciating trend of the Renminbi as well as the movement of HIBOR in the different direction in Fiscal 2014 and 2015, in each case compared to what we had expected, resulted in a loss of HK\$80.9 million and HK\$7.0 million in Fiscal 2014 and 2015, respectively.

FINANCIAL INFORMATION

In relation to foreign exchange risks, we had annual operating expenses of approximately RMB1,341.0 million, RMB1,703.2 million and RMB1,602.2 million, respectively, in Fiscal 2013, 2014 and 2015, while most of our sales are denominated and settled in the U.S. dollars. These operating expenses mainly related to labor costs, utilities expenses, rental payments and capital expenditures. As of March 31, 2013, 2014 and 2015, we primarily had notional principal amounts of foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar of US\$14.0 million, US\$63.0 million and US\$34.5 million, respectively. In relation to interest rate risks, as of March 31, 2013, 2014 and 2015, we had outstanding bank borrowings of HK\$1,112.9 million, HK\$1,167.4 million and HK\$1,240.3 million, respectively, the interests of all of which are calculated based on floating interest rates. As of March 31, 2013, 2014 and 2015, we had notional principal amounts of interest rate swap contracts in respect of fixed interest rate and floating interest rate of HK\$400.0 million, HK\$520.0 million and HK\$520.0 million, respectively.

The following table sets forth the details of each of our outstanding foreign exchange forward contracts as of the Latest Practicable Date.

Contract Date	Notional Principal Amount	Contract Expiry Date	Pre-Determined Rates	Mark-to-Market Value as of Latest Practicable Date
	(US\$)		(US\$ against RMB)	HK\$'000
1. November 21, 2013 . . .	1,500,000	November 19, 2015	6.05	(2,065)
2. December 13, 2013 . . .	3,000,000	December 9, 2015	6.04	(5,781)
3. January 9, 2014	1,500,000	January 5, 2016	6.02	(3,114)
4. January 15, 2014	1,500,000	January 12, 2016	6.02	(3,122)
5. January 7, 2014	1,500,000	December 28, 2015	6.03	(3,817)
6. February 5, 2014	4,500,000	February 2, 2016	6.01	(14,503)
7. March 5, 2014	4,500,000	March 2, 2016	6.05	(13,628)
8. October 13, 2014	4,500,000	October 12, 2016	6.25	(18,729)
	<u>22,500,000</u>			<u>(64,759)</u>

The mark-to-market value of the foreign exchange forward contracts was a loss of HK\$90.8 million and a loss of HK\$64.8 million as of March 31, 2015 and the Latest Practicable Date, respectively.

The following table sets forth the details of each of our outstanding interest rate swap contracts as of the Latest Practicable Date.

Contract Date	Notional Principal Amount	Contract Expiry Date	Pre-Determined Rates	Mark-to-Market Value as of Latest Practicable Date
	(HK\$)			HK\$'000
1. February 1, 2011	400,000,000	February 1, 2016	Receive 3-month HIBOR, Pay 2.49%	(3,393)
2. November 12, 2013	40,000,000	November 11, 2015	Receive 1-month HIBOR plus 4.4%, Pay HIBOR	299
	<u>440,000,000</u>			<u>(3,094)</u>

FINANCIAL INFORMATION

The mark-to-market value of the interest rate swap contracts was a loss of HK\$6.3 million and a loss of HK\$3.1 million as of March 31, 2015 and the Latest Practicable Date, respectively.

Under these foreign exchange forward contracts and interest rate swap contracts, if the Renminbi depreciates or appreciates against the U.S. dollar substantially or if the interest rate moves in the different direction as we expected in the future, our obligation to pay to the banks under the outstanding foreign exchange forward contracts and interest rate swap contracts would increase or decrease, which would affect our cash flows and financial position. During the Track Record Period, we had gains on derivative financial instruments of HK\$18.4 million and HK\$3.2 million, respectively, in Fiscal 2013 and 2015, but incurred losses on derivative financial instruments of HK\$49.5 million in Fiscal 2014. See “— Principal Components of Consolidated Income Statements — Gains or losses on derivative financial instruments” above and “Risk Factors — Risks Relating to our Industry and Business — We may not successfully mitigate our exposures to foreign exchange and interest rate fluctuation risks through purchases of derivative financial instruments” for more details.

As of March 31, 2015, we had 13 outstanding foreign exchange forward contracts with notional principal amount of US\$34.5 million. With respect to our outstanding foreign exchange forward contracts as of March 31, 2015, we have booked an unrealized fair value loss in an aggregate amount of HK\$90.8 million as of March 31, 2015 and such fair value loss may, depending on the relevant foreign exchange rates as of the respective dates of settlement of the outstanding foreign exchange forward contracts, be realized in Fiscal 2016 or thereafter. Nevertheless, as most of our operating expenses are denominated in Renminbi, the depreciation of the Renminbi against the U.S. dollar will result in cost savings for Fiscal 2016 and thereafter.

To minimize the adverse impact of volatility of the exchange rate of the Renminbi against the U.S. dollar on investors’ investment decisions in relation to our outstanding foreign exchange forward contracts, our Controlling Shareholders have agreed to indemnify us for any losses we may suffer from settlements of our outstanding foreign exchange forward contracts with the banks on or after April 1, 2015 in excess of the amount of HK\$90.8 million which was recorded as derivative financial instruments — liabilities on our consolidated balance sheet as of March 31, 2015. On the date of inception, such indemnity from the Controlling Shareholders is accounted for as a derivative asset, which is carried at fair value and the corresponding amount is recognized as shareholder’s contribution in equity. The fair value of the derivative asset on the date of inception is insignificant. The subsequent changes in fair value of the derivative asset are recognized in the profit and loss account. If the total actual loss on settlement of the outstanding foreign exchange forward contracts on or after April 1, 2015 ends up to be greater than HK\$90.8 million, we would recognize a loss in the profit and loss account for our outstanding foreign exchange forward contracts, and we would also recognize a gain in the profit and loss account as a result of the indemnification from the Controlling Shareholders. In contrast, should the actual loss on settlement of the outstanding foreign exchange forward contracts on or after April 1, 2015 be less than HK\$90.8 million, we would recognize a gain in the profit and loss account for our outstanding foreign exchange forward contracts. We have not entered into any other guarantees or options with the banks in relation to our outstanding foreign exchange forward contracts.

FINANCIAL INFORMATION

We will continue to monitor our market risks, including currency exchange risk and interest rate risk, and take prudent measures, including purchasing derivative financial instruments in an adequate amount and on acceptable terms, to minimize our exposures to these risks. For derivative financial instruments that we may purchase in the future, we have implemented and will continue to implement internal policies which set forth overall principles as well as detailed evaluation and monitoring processes of our purchases of derivative financial instruments.

Our investment management policy includes, among other things, the following:

- the purchase of currency exchange forward contracts and interest rate swap contracts may only be used to mitigate our currency exchange and interest rate risk exposure;
- investment should be undertaken only in situations where we have surplus cash not required for our short-term working capital purposes in the following one to three months; and
- criteria for selecting derivative financial instruments to be considered by our senior management include liquidity, risk and expected yield.

In order to further reduce risks associated with our purchases of derivative financial instruments described above, we will not purchase equity put options after Listing.

The treasury function of the finance department conducts initial assessment and analysis on risk and benefit of each investment. Feasibility analysis, expert opinions, audited financial statements and asset assessment reports, if applicable, and draft legal documentation are required to be submitted by our financial controller to our management team for evaluation and approval. Prior approvals from our chief financial officer and one of our executive Directors must be obtained, depending on the amount and term of the investment. Our investment management policy does not set forth any minimum or maximum threshold of currency exchange or interest rate risk exposures which require to be hedged. Instead, our investment decision, including the amount and duration of each investment, is made on a case by case basis after due and careful consideration of a number of factors, including the level of risk exposure, the available investment vehicles, the purchase cost of the instrument, the potential benefit and loss of the instrument and the expected market trends. Our accounting personnel are responsible for the review of our annual investment budgets and accounting review and management of each investment. Going forward, our Audit Committee may also review our new investment in the amount exceeding 5% of our net assets, and such 5% threshold will be subject to review by the Board and the independent non-executive Directors from time to time. Our internal audit personnel will be charged with monitoring and supervising all investments and will also be required to submit reports and investment return analysis regularly on all investments during the investment process. The reports and investment return analysis submitted by our internal audit personnel will be reviewed by our Board of Directors.

During the Track Record Period, we maintained a general stop-loss policy with respect to our purchases of derivative financial instruments, pursuant to which our accounting and finance departments monitor our derivative financial instruments on a regular basis. While we did not set a specific quantitative stop-loss benchmark, we may settle all or part of our

FINANCIAL INFORMATION

derivative financial instruments based on a number of factors, including, among others, prevalent market conditions and our original hedging requirement as set forth in the initial investment plans.

Cash and cash equivalents and short-term bank deposits

Cash and cash equivalents comprise cash at bank and in hand. Short-term bank deposits represent bank deposits with an original maturity term of three months to one year. During the Track Record Period, the effective interest rate per annum on short-term bank deposits was 3.3%, 3.0% and 3.3%, respectively.

The following table sets forth a breakdown of our cash and cash equivalents and short-term bank deposits as of the dates indicated.

	As of March 31,			As of July 31, 2015
	2013	2014	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	142,767	217,696	254,729	168,198
Short-term bank deposits	60,676	61,697	12,495	12,485
	203,443	279,393	267,224	180,683

As of March 31, 2013, 2014 and 2015, cash and cash equivalents and short-term bank deposits in the amount of HK\$92.7 million, HK\$110.6 million, and HK\$86.6 million, respectively, were denominated in RMB, HK\$65.5 million, HK\$121.9 million, and HK\$128.0 million, respectively, were denominated in HK dollar, HK\$44.8 million, HK\$46.3 million, and HK\$49.7 million, respectively, were denominated in U.S. dollar, zero, zero, and HK\$2.5 million, respectively, were denominated in Vietnamese Dong, HK\$0.4 million, HK\$0.5 million, and HK\$0.4 million, respectively, were denominated in Euro, while the remaining balances were denominated in other currencies.

Trade payables

As of March 31, 2013, 2014 and 2015, our trade payables totaled HK\$271.2 million, HK\$311.0 million and HK\$356.6 million, respectively.

Our trade payables mainly relate to the purchase of raw materials from our suppliers. Our suppliers generally granted us credit terms of 30 to 75 days during the Track Record Period. Our trade payables increased by 14.7% from HK\$271.2 million as of March 31, 2013 to HK\$311.0 million as of March 31, 2014 primarily due to increased purchases of raw materials in response to our increased sales, partly offset by effects arising from our improved monitoring of settlements of trade payables. Our trade payables increased by 14.7% from HK\$311.0 million as of March 31, 2014 to HK\$356.6 million as of March 31, 2015 primarily due to increased purchases of raw materials in response to our increased sales.

FINANCIAL INFORMATION

The following table sets forth our trade payables turnover days for the periods indicated.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Trade payables turnover days ⁽¹⁾	<u>42</u>	<u>35</u>	<u>38</u>

Note:

(1) Trade payables turnover days equal to the average balance of trade payables at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 365 days.

Our trade payables turnover days decreased from 42 days in Fiscal 2013 to 35 days in Fiscal 2014, primarily due to our improved monitoring of settlements of trade payables in Fiscal 2014. Our trade payables turnover days increased from 35 days in Fiscal 2014 to 38 days in Fiscal 2015 primarily due to an increase in raw material purchases with longer credit terms.

The following table sets forth the aging analysis of our trade payables as of the dates indicated, based on the invoice date.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
0–30 days	112,679	190,654	141,538
31–60 days	81,267	62,144	112,439
61–90 days	68,710	46,628	92,711
Over 90 days	<u>8,530</u>	<u>11,548</u>	<u>9,900</u>
	<u>271,186</u>	<u>310,974</u>	<u>356,588</u>

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as of the dates indicated.

	As of March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Accruals for wages, salaries, staff welfare and other related costs	95,554	130,399	126,901
Payable for factory rent	7,444	10,109	14,653
Payable for utilities	4,481	5,401	7,947
Payable for purchase of property, plant and equipment, intangible assets and consumables	4,780	21,051	75,274
Other payables ⁽¹⁾	<u>17,556</u>	<u>19,073</u>	<u>16,986</u>
	<u>129,815</u>	<u>186,033</u>	<u>241,761</u>

Note:

(1) Primarily consist of other tax payables and payables for other operating expenses.

FINANCIAL INFORMATION

Our accruals and other payables increased by 43.3% from HK\$129.8 million as of March 31, 2013 to HK\$186.0 million as of March 31, 2014 primarily due to (i) an increase of HK\$34.8 million in accruals for wages, salaries, staff welfare and other related costs as a result of the increased headcount, (ii) an increase of HK\$16.3 million in payables for purchases of property, plant and equipment, intangible assets and consumables, (iii) an increase of HK\$2.7 million in accruals for factory rent, and (iv) an increase of HK\$0.9 million in payables for utilities.

Our accruals and other payables increased by 30.0% from HK\$186.0 million as of March 31, 2014 to HK\$241.8 million as of March 31, 2015 primarily due to (i) an increase of HK\$54.2 million in payables for purchases of property, plant and equipment, intangible assets and consumables in connection with the establishment of our production facilities in Hai Phong, Vietnam, (ii) an increase of HK\$4.6 million in payables for factory rent, and (iii) an increase of HK\$2.5 million in payables for utilities.

Amount due to a related party

As of March 31, 2013 and 2014, the amount due to a related party, Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited, wholly-owned by Mr. Hung, was HK\$60.7 million and HK\$61.7 million, respectively. The amount due to a related party is unsecured, repayable on demand and carried an interest rate of 3.30% and 3.08%, respectively, in Fiscal 2013 and 2014. The balance of the amount due to a related party was fully settled in Fiscal 2015.

Borrowings

During the Track Record Period, we used bank loans to manage our working capital requirements. The following table sets forth the breakdown of our borrowings as of the dates indicated.

	As of March 31,			As of
	2013	2014	2015	July 31, 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Portion of term loans due for repayment between 1 and 2 years				
— secured	197,596	152,565	341,845	357,875
Portion of term loans due for repayment between 2 and 5 years				
— secured	124,483	211,180	213,444	185,458
Total non-current	<u>322,079</u>	<u>363,745</u>	<u>555,289</u>	<u>543,333</u>
Current				
Portion of term loans due for repayment within 1 year				
— secured	229,410	220,823	195,409	309,095
Short-term bank loans — secured	257,900	247,483	199,862	214,232
Short-term bank loans — unsecured . . .	303,537	335,351	289,742	341,823
Total current	<u>790,847</u>	<u>803,657</u>	<u>685,013</u>	<u>865,150</u>
Total bank borrowings	<u>1,112,926</u>	<u>1,167,402</u>	<u>1,240,302</u>	<u>1,408,483</u>

FINANCIAL INFORMATION

As of March 31, 2013, 2014 and 2015 and July 31, 2015, the weighted average effective interest rate of our borrowings was 3.1%, 2.8%, 2.8% and 2.7% per annum, respectively. All of our outstanding bank borrowings are denominated in HK dollars and U.S. dollars. As of March 31, 2015 and July 31, 2015, our outstanding bank borrowings bear interest rates ranging from 1.3% to 4.4% and interest rates ranging from 1.4% to 4.4%, respectively, subject to the relevant agreements. Our outstanding bank borrowings are secured by one or more of debt securities, investment funds, insurance policy investments, equity securities, personal guarantees provided by Mr. Hung, our founder and Chairman, corporate guarantees provided by related companies, including cross guarantees, and properties held by a related company. The personal guarantees provided by Mr. Hung, corporate guarantees provided by related companies and the pledge of properties held by a related company will be released upon Listing.

Some of the loan agreements we entered into contain customary covenants and restrictions for facilities of this type in Hong Kong. For example, the borrowing and guaranteeing entities should maintain total tangible net worth of certain amount, certain debt to net worth ratio, certain interest cover, certain adjusted gearing ratio, certain dividend payout ratio, and certain net interest-bearing debt to earnings ratio. Other than otherwise disclosed in the prospectus, the agreements under our banking borrowings do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we did not have any default in payment of trade payables, bank borrowings or any breach of financial covenants during the Track Record Period.

As of July 31, 2015, being the latest practicable date for our indebtedness statement, we had two outstanding interest rate swap contracts with notional principal amount of HK\$440.0 million which are classified as derivative financial instruments to mitigate our exposures to interest rate risks of our bank borrowings with floating interest rates. They were initially recognized at their fair values on the date when they were entered into and subsequently remeasured at their fair values recognized immediately in the consolidated income statement. Under the terms of these contracts, we and the banks have agreed to exchange interest rate cash flows based on a specified notional amount from a floating interest rate to a fixed interest rate. These two interest rate swap contracts will expire within four to six months subsequent to July 31, 2015. As of July 31, 2015, the fair value of the interest rate swap contracts (net liabilities) was HK\$4,193,000.

The Group has provided corporate guarantees in the amount of HK\$335.7 million for the bank facilities that are available for utilization by the Group and certain related companies. As of July 31, 2015, these bank facilities had not been utilized by these related companies. Such corporate guarantees provided to these related parties will be released upon Listing.

As of March 31, 2015 and the Latest Practicable Date, we had unutilized bank facilities of approximately HK\$1,770.0 million and HK\$1,779.6 million, respectively.

We intend to apply a portion of the net proceeds of the Global Offering to repay part of our borrowings after the Listing. See “Future Plans and Use of Proceeds — Use of Proceeds” for further details.

Amount due from a shareholder

As of March 31, 2013, 2014 and 2015, the amount due from a shareholder, Mr. Hung, were HK\$384.8 million, HK\$444.0 million and HK\$500.7 million, respectively, in relation to the Group’s unsecured, interest free and repayable on demand advances to Mr. Hung. The outstanding amount due from a shareholder as of March 31, 2015 will be settled before the Listing through offsetting against special dividends to be declared to Mr. Hung, the then sole shareholder of the Company.

FINANCIAL INFORMATION

INDEBTEDNESS

Except for our borrowings as disclosed in “— Analysis of Selected Consolidated Balance Sheets Items — Borrowings” and our interest rate swap contracts as disclosed in “— Analysis of Selected Consolidated Balance Sheet Items — Derivative financial instruments” above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of July 31, 2015, being the latest practicable date for our indebtedness statement.

Since July 31, 2015 and up to the date of this prospectus, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. Furthermore, 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. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

Financial Ratios	Formulae	As of March 31/ Fiscal 2013	As of March 31,/Fiscal 2014	As of March 31/ Fiscal 2015
Profitability ratios:				
1. Growth				
a. Revenue growth		—	31.0%	10.2%
b. Net profit growth		—	30.3%	102.4%
2. Profit margins				
a. Gross margin	a. Gross profit/Revenue x 100.0%	21.6%	20.8%	23.4%
b. Net profit margin	b. Profit for the year /Revenue x 100.0%	4.4%	4.4%	8.1%
3. Return on equity				
a. Return on equity	a. Profit for the year/Average total equity x 100.0%	14.7%	17.2%	31.3%
b. Return on total assets	b. Profit for the year/Average total assets x 100.0%	5.4%	6.1%	11.2%

FINANCIAL INFORMATION

Financial Ratios	Formulae	As of March 31/ Fiscal 2013	As of March 31,/Fiscal 2014	As of March 31/ Fiscal 2015
Liquidity ratios:				
1. Liquidity ratios				
a. Current ratio	a. Current assets/Current liabilities	1.1	1.2	1.3
b. Quick ratio	b. (Current assets — Inventories)/ Current liabilities	0.7	0.8	0.9
2. Turnover ratios				
a. Inventory turnover days	a. Average inventories/ Cost of sales x 365 days	82	67	64
b. Receivables turnover days (average collection period)	b. Average trade receivables/ Revenue x 365 days	30	36	39
c. Payables turnover days (average payment period)	c. Average trade payables/ Cost of sales x 365 days	42	35	38
Capital adequacy ratios:				
1. Gearing ratio	(Total bank borrowings — cash and cash equivalents and pledged deposits)/ Total equity x 100.0%	99.5%	86.4%	86.0%
2. Interest coverage	Profit before interest and tax/ Net finance cost	4.1	4.9	9.3

Return on equity ratio. The return on equity ratio increased from 14.7% as of March 31, 2013 to 17.2% as of March 31, 2014, and further to 31.3% as of March 31, 2015 primarily because of an increase in our net profit.

Return on total assets ratio. The return on total assets ratio increased from 5.4% as of March 31, 2013 to 6.1% as of March 31, 2014, and further to 11.2% as of March 31, 2015 primarily due to an increase in our net profit.

Current ratio. The current ratio increased from 1.1 as of March 31, 2013 to 1.2 as of March 31, 2014 and further to 1.3 as of March 31, 2015 primarily due to a greater increase in current assets than current liabilities.

Quick ratio. The quick ratio increased from 0.7 as of March 31, 2013 to 0.8 as of March 31, 2014 and further to 0.9 as of March 31, 2015 primarily due to a greater increase in current assets than current liabilities.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Price risk

The major raw materials that we use in the production of our products include polyester, polyamide and spandex which are subject to market price risk. We have not entered into any hedging transactions to hedge our exposure to such market price risk.

In addition, we are exposed to price risk of equity securities, debt securities and investment funds because certain investments held by us are classified in the consolidated balance sheet as available-for-sale financial assets and financial assets at fair value through profit or loss. Profit before income tax and other comprehensive income would increase/decrease as a result of gains/losses on these instruments.

As of March 31, 2013, 2014 and 2015, if there had been a 5% change in the market value of these equity securities, debt securities and investment funds classified as available-for-sale financial assets, with all other variables held constant, our total comprehensive income would have been increased/decreased by approximately HK\$0.5 million, HK\$1.2 million and HK\$0.4 million, respectively.

As of March 31, 2015, we did not have any equity securities classified as financial assets at fair value through profit or loss. As of March 31, 2013 and 2014, if there had been a 5% change in the market value of these equity securities classified as financial assets at fair value through profit or loss, with all other variables held constant, our profit before tax would have been increased/decreased by approximately HK\$4.0 million and HK\$1.2 million, respectively.

Cash flow interest rate risk

As we have no significant interest-bearing assets (other than cash and cash equivalents and short-term bank deposits, details of which have been disclosed in Note 23 of the Accountant's Report in Appendix I), our operating cash flows are substantially independent of changes in market interest rates. Our interest rate risk primarily arises from our borrowings with floating interest rates. These borrowings expose us to cash flow interest rate risk. We entered into interest rate swap contracts to mitigate our interest rate risk exposure during the Track Record Period. As of March 31, 2013, 2014 and 2015, the notional principal amount of our interest rate swap contracts in respect of fixed interest rate and floating interest rate of HIBOR was HK\$400.0 million, HK\$520.0 million and HK\$520.0 million, respectively. Our management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As of March 31, 2013, 2014 and 2015, if interest rates on our borrowings had been increased/decreased by 100 basis points with all other variables held constant, our profit before income tax would decrease/increase by HK\$11.1 million, HK\$11.7 million and HK\$12.4 million, respectively, as a result of higher/lower interest expenses.

Foreign exchange risk

We mainly operate in Hong Kong and the PRC and most of our operating expenses are denominated in Renminbi while most of our sales are denominated and settled in U.S. dollars.

FINANCIAL INFORMATION

HK dollars are pegged to U.S. dollars, and thus our foreign exchange exposure in respect of HK dollars is considered minimal. During the Track Record Period, we entered into foreign exchange forward contracts to mitigate our exposures of Renminbi against U.S. dollars. As of March 31, 2013, 2014 and 2015, the notional principal amount of our foreign exchange forward contracts in respect of the Renminbi against the U.S. dollar was US\$14.0 million, US\$63.0 million and US\$34.5 million, respectively. Our management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

The following table sets forth the sensitivity analysis on the impact of changes in the exchange rate of the Renminbi against the U.S. dollars on our cost of sales and gross profit margin during the Track Record Period. The sensitivity analysis below is in line with historical fluctuations of our cost of sales and gross profit margin due to fluctuations of exchange rate of the Renminbi against the U.S. dollars during the Track Record Period.

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Change in the cost of sales if the exchange rate of the Renminbi against the U.S. dollars increases/(decreases) by 1% or 2%	+0.6%/(-0.6%)	+0.6%/(-0.6%)	+0.5%/(-0.5%)
	or +1.3%/(-1.3%)	or +1.3%/(-1.3%)	or +1.1%/(-1.1%)
Change in the gross profit margin if the exchange rate of the Renminbi against the U.S. dollars increases/(decreases) by 1% or 2%	-47.5 basis points/(+47.5 basis points)	-48.4 basis points/(+48.4 basis points)	-40.1 basis points/(+40.1 basis points)
	or -95.1 basis points/(+95.1 basis points)	or -96.9 basis points/(+96.9 basis points)	or -80.1 basis points/(+80.1 basis points)

As of March 31, 2013, 2014 and 2015, we have limited Euro-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Our foreign exchange exposure in respect of Euro is considered minimal.

As of March 31, 2013, 2014 and 2015, if Renminbi had strengthened/weakened against HK dollars by 5% with all other variables held constant, our profit before income tax in Fiscal 2013, 2014 and 2015 would have been HK\$5.1 million, HK\$6.9 million and HK\$1.5 million, respectively, higher/lower, mainly as a result of foreign exchange gains on translation of RMB-denominated trade and other receivables, cash and cash equivalents and trade and other payables.

Credit risk

The carrying amounts of trade and bills receivables, other receivables and deposits, amount due from a shareholder and bank deposits represent our maximum exposure to credit risk in relation to our financial assets.

In order to minimize our credit risk in relation to bank deposits, our deposits are mainly placed with reputable banks.

FINANCIAL INFORMATION

Our business is dependent on a limited number of customers. As of March 31, 2013, 2014 and 2015, trade and bills receivables from our top five customers represented 37.0%, 43.4% and 49.3%, respectively, of our total trade and bills receivables. We have policies in place to ensure that sales are made to customers with an appropriate credit history and to limit the amount of credit exposure to a single customer. We review the recoverable amount of each individual trade and bills receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

Our management considers our credit risk in relation to the amount due from a shareholder to be minimal after considering his financial condition and other factors. Our management does not expect to incur any losses from non-performance of the shareholder.

Liquidity risk

We finance our working capital requirements through a combination of funds generated from our operations and bank borrowings. Our policy is to maintain sufficient cash and cash equivalents and have sufficient available funding through committed credit facilities to meet our working capital requirements. The Directors believe that we have maintained sufficient general banking facilities for financing capital commitment in the near future and for working capital purposes. See Note 3(a)(v) of the Accountant's Report in Appendix I for details.

RELATED PARTY TRANSACTIONS AND BALANCES

As of March 31, 2013, 2014 and 2015, amounts due to a related party were HK\$60.7 million, HK\$61.7 million and zero, respectively. As of March 31, 2013, 2014 and 2015, amount due from a shareholder was HK\$384.8 million, HK\$444.0 million and HK\$500.7 million, respectively. As of March 31, 2013 and 2014 and 2015, trade and bills receivables from related parties were HK\$57.3 million, HK\$95.6 million and HK\$20.3 million, respectively. For a discussion of related party transactions, see Note 34 to the Accountant's Report in Appendix I.

Our Directors confirm that although the amount due from a shareholder is unsecured and interest free, our related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period, and that all non-trade balances and guarantees with related parties will be settled and released before Listing.

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;

FINANCIAL INFORMATION

- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in Hong Kong and the PRC. In particular, each of our PRC subsidiaries may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in the PRC. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, each of our PRC subsidiaries is required to set aside a certain amount of its accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our or their ability to pay dividends or make other payments to our Shareholders or to us.

We declared dividends of HK\$54.0 million, HK\$63.0 million and HK\$230.0 million, respectively, in Fiscal 2013, 2014 and 2015. All declared dividends during the Track Record Period have been fully settled by offsetting against the amount due from a shareholder. In addition, pursuant to the written resolutions passed by the Shareholders on September 11, 2015, conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as maybe specified in the Underwriting Agreements, special dividends of HK\$680.0 million will be declared and settled against outstanding amount due from a shareholder using our distributable reserves prior to Listing. See “— Analysis of Selected Consolidated Balance Sheet Items — Amount due from a shareholder”. We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to the Group for any particular financial year.

DISTRIBUTABLE RESERVES

As of March 31, 2013, 2014 and 2015, the reserves available for distributions to shareholder of our Company amounted to HK\$514.1 million, HK\$514.1 million and HK\$514.1 million, respectively.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since March, 2015, and there is no event since March 31, 2015 which would materially affect the information shown in “Accountant’s Report” in Appendix I.

LISTING EXPENSE INCURRED AND TO BE INCURRED

During the Track Record Period, we incurred listing expenses of approximately HK\$10.7 million, of which HK\$1.1 million, HK\$0.9 million and HK\$6.2 million was recognized as general and administrative expenses in our consolidated income statement for Fiscal 2013, 2014 and 2015, respectively, and HK\$2.5 million was capitalized as deferred expenses in our consolidated balance sheet as of March 31, 2015 to be recognized as a deduction in equity. We expect to incur additional listing expenses of approximately HK\$114.7 million after the Track Record Period, of which HK\$51.3 million is expected to be recognized as general and administrative expenses in Fiscal 2016 and HK\$63.4 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in Fiscal 2016.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out to illustrate the effect of the Capitalization Issue and the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of March 31, 2015 as if the Capitalization Issue and the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets have 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 Capitalization Issue and the Global Offering been completed as of March 31, 2015 or at any future dates. It is prepared based on the consolidated net assets of the Group as of March 31, 2015 as set out in the Accountant’s Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant’s report.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2015 ⁽¹⁾	Special dividends declared ⁽²⁾	Estimated net proceeds from the Global Offering ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per share ⁽⁴⁾
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	HK\$
Based on an Offer Price of					
HK\$5.38 per share	1,095,101	(680,000)	1,476,072	1,891,173	1.60
Based on an Offer Price of					
HK\$6.38 per share	1,095,101	(680,000)	1,758,655	2,173,756	1.84

FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of March 31, 2015 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited net assets of the Group attributable to the owners of the Company as of March 31, 2015 of HK\$1,131,284,000 with an adjustment for the intangible assets as of March 31, 2015 of HK\$36,183,000.
- (2) Pursuant to the written resolutions passed by the Shareholders on September 11, 2015, conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as maybe specified in the Underwriting Agreements, special dividends of HK\$680.0 million will be declared and settled against outstanding amount due from a shareholder using the distributable reserves of the Company prior to Listing.
- (3) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$5.38 and HK\$6.38 per share, respectively, after deduction of the underwriting fees and other related expenses borne by the Company subsequent to March 31, 2015 and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the Repurchase Mandate.
- (4) The unaudited pro forma net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,180,000,000 shares were in issue assuming that the Global Offering and the Capitalization Issue has been completed on March 31, 2015 but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the Repurchase Mandate.
- (5) Other than the dividends to be declared upon Listing as referred to in note (2) above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2015.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$5.88 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,609.2 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes.

1. Approximately 70%, representing approximately HK\$1,126.5 million, will be used to increase our production capacity, among which:
 - approximately HK\$100.0 million for enhancing our research and development capabilities, including purchasing additional computerized design systems and new equipment and upgrading our existing equipment. See “Business — Our Business Strategies — Solidify and strengthen our core competitiveness of technology innovation” for more details; and
 - the remaining funds, approximately HK\$1,026.5 million, for constructing additional production facilities and purchasing additional machineries, including (i) HK\$700.0 million for constructing an additional three production facilities in Hai Phong, Vietnam, (ii) HK\$200.0 million for constructing an additional one production facility in Hai Duong Province, and (iii) HK\$126.5 million for constructing an additional one production facility in Wujiang, Suzhou, Jiangsu Province, China. See “Business — Our Business Strategies — Further expand manufacturing capacities in multiple regions” and “Business — Production — Production expansion plan” for more details.
2. Approximately 20%, representing approximately HK\$321.8 million, will be used to repay part of our outstanding borrowings, details of which are as follows.

<u>Maturity</u>	<u>Interest Rate Range</u>	<u>Outstanding Principal Amount</u>
Fiscal 2016 . . .	HIBOR +1.9% to HIBOR +3.9%	HK\$108.4 million
Fiscal 2017 . . .	HIBOR +1.0% to HIBOR +4.0%	HK\$362.4 million
Fiscal 2018 . . .	HIBOR +3%	HK\$151.5 million

Among the foregoing borrowings, borrowings of HK\$284.0 million were incurred within one year before the date of this prospectus and used primarily for capital expenditures in connection with our planned facilities in Vietnam.

3. Approximately 10%, representing approximately HK\$160.9 million, will be used as our working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$6.38 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$141.3 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK\$5.38 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$141.3 million, assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$228.0 million (assuming an Offer Price of HK\$5.38 per Share, being the low end of the proposed Offer Price range) to HK\$270.4 million (assuming an Offer Price of HK\$6.38 per Share, being the high end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

CLSA Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement dated September 23, 2015 and entered into among us, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, we are offering initially 29,500,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of the Hong Kong Underwriting Agreement as set forth in this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Sole Global Coordinator for itself and on behalf of the Hong Kong Underwriters shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots,

UNDERWRITING

public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the United States, the PRC, Vietnam, the United Kingdom or the European Union (collectively, the “**Relevant Jurisdictions**” and each, a “**Relevant Jurisdiction**”); or

- (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material 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 litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (ix) any Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (x) the Chairman or the Chief Executive Officer of the Company vacating his or her office; or
- (xi) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

UNDERWRITING

- (xii) a material breach by any member of the Group of the Listing Rules or applicable laws; or
- (xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, unless such supplement or amendment has been issued with the prior written approval of the Sole Sponsor; or
- (xvi) an order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (1) has or will have or is likely to have a material and adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (b) there has come to the notice of the Sole Global Coordinator:
- (i) that any statement contained in any of this prospectus, the Application Forms, 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) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms 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 (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms 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 any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than upon any of the Hong Kong Underwriters); or
 - (iv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
 - (v) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company and the Controlling Shareholders set out in the Hong Kong Underwriting Agreement; or
 - (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

UNDERWRITING

- (viii) any person (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of this prospectus and the Application Forms; or
- (ix) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, which will materially and adversely affect the marketing of the Global Offering.

Undertakings

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within such period), except pursuant to the Global Offering (including the exercise of the Over-Allotment Option) or under certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of Mr. Hung and Regent Marvel, as our Controlling Shareholders, has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Over-allotment Option, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- in the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown in this prospectus to be the beneficial owner(s); or
- in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to each of our Company and the Stock Exchange that,

UNDERWRITING

within the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, he/it will immediately inform us and the Stock Exchange in writing of:

- any pledges or charges of any Shares or other securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, together with the number of such Shares or other securities of our Company so pledged or charged; and
- any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible.

Undertakings under the Hong Kong Underwriting Agreement

(A) Undertakings by us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Global Coordinator, the Sole Sponsor and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option, the Capitalization Issue and the Share Option Scheme), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares, with a depositary in connection with the issue of depositary receipts; 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 any Shares or other equity securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other equity securities of our Company will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company in a manner that violates the SFO. The Controlling Shareholders undertake to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

(B) Undertakings by the Controlling Shareholders

The Controlling Shareholders have undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, the granting of the Over-allotment Option, or pursuant to the stock borrowing agreement entered into between the Stabilizing Manager and Regent Marvel and any pledge or charge to authorized institutions pursuant to note 2 to Rule 10.07 of the Listing Rules:

- (a) they will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii)

UNDERWRITING

above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (b) they will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, they will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that they enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, they will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the proper performance of their obligations under the Hong Kong Underwriting Agreement or the Global Offering and any breach by any of our Company and/or a Controlling Shareholder of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and the Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters, among other parties. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Over-allotment Option

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager on behalf of the International Underwriters, in whole or in part at one or more times, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 44,250,000 additional Shares, representing in aggregate not more than approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to, among other things (such as effecting the permitted stabilizing actions as set out in the section headed “Structure of the Global Offering — Stabilization” below), cover over-allocations, if any, in the International Offering.

UNDERWRITING

Indemnity

We and the Controlling Shareholders have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

Grounds for Termination

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors are reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Underwriting Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission per Offer Share of 3.5% of the Offer Price from our Company in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). The Company may, at its discretion, pay the Sole Global Coordinator an incentive fee of up to 1.0% of the Offer Price per Offer Share. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters in accordance with the International Underwriting Agreement (but not the Hong Kong Underwriters).

The aggregate commission and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK\$125.4 million in aggregate (based on an Offer Price of HK\$5.88 per Share, being the mid-point of the Offer Price range of between HK\$5.38 and HK\$6.38 per Share, and the assumption that the Over-allotment Option is not exercised), is to be borne by our Company.

Hong Kong Underwriters' Interests in Our Group

Except for the obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, as of the Latest Practicable Date, the Hong Kong Underwriters are not interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Other Services Provided by the Underwriters

The Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors

UNDERWRITING

subscribing for the Offer Shares offered pursuant to this prospectus. The Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering — Stabilization” of this

UNDERWRITING

prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

THE 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.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited is the Sole Sponsor and Sole Global Coordinator, and Morgan Stanley Asia Limited and CLSA Limited are Joint Bookrunners and Joint Lead Managers of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 29,500,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in “— The Hong Kong Public Offering”; and
- the International Offering of initially 265,500,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors who we anticipate to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act, as described below in “— The International Offering”.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 295,000,000 Offer Shares in the Global Offering will represent approximately 25.0% of our enlarged share capital immediately after the completion of the Global Offering, 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.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 29,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in “— Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based 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. We may, if necessary, allocate the Hong Kong Offer Shares on the basis 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.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 14,750,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 to the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i)

STRUCTURE OF THE GLOBAL OFFERING

15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 88,500,000 Offer Shares (in the case of (i)), 118,000,000 Offer Shares (in the case of (ii)) and 147,500,000 Offer Shares (in the case of (iii)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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 International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$6.38 per Hong Kong Offer Share in addition to the brokerage fee of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% for one board lot of 1,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner described in “— Pricing and Allocation”, is less than the maximum price of HK\$6.38 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 265,500,000 Offer Shares, representing approximately 90.0% of the Offer Shares under the

STRUCTURE OF THE GLOBAL OFFERING

Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will conditionally be offered in the United States to QIBs as defined in Rule 144A as well as to selected institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering 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 the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator 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 its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any

STRUCTURE OF THE GLOBAL OFFERING

time within 30 days from the last date for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 15.0% of the Offer Shares initially available under the Global Offering at the Offer Price under the International Offering to, among other things (such as effecting the permitted stabilizing actions as set out in the section headed “—Stabilization” below), cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action is permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our 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 our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;

STRUCTURE OF THE GLOBAL OFFERING

- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on October 30, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to enter into an agreement with Regent Marvel, a Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 44,250,000 Shares, representing approximately 15.0% of the Offer Shares, to cover over-allotments (being the maximum number of additional Shares which may be sold upon exercise of the Over-allotment Option). The stock borrowing arrangements under the stock borrowing agreement, if entered into, 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 complied with. Such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-Allotment Option. The maximum number of Shares to be borrowed from Regent Marvel by the Stabilizing Manager is the maximum number of Shares that may be issued or sold upon full exercise of the Over-Allotment Option. The same number of Offer Shares so borrowed must be returned to Regent Marvel or its nominees on or before the third Business Day

STRUCTURE OF THE GLOBAL OFFERING

following the earlier of (a) the last day on which the Over-Allotment Option may be exercised, or (b) the day on which the Over-Allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and other regulatory requirements. No payment will be made to Regent Marvel by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator on behalf of the Underwriters, 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 September 30, 2015 (Hong Kong time), and in any event, not later than October 6, 2015 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$6.38 per Offer Share and is expected to be not less than HK\$5.38 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK\$6.38 per Offer Share, plus a 1.0% brokerage fee, of 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$6.38, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares”.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering 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, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) of the reduction. Such notice will also be posted on the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.reginamiracleholdings.com) (the contents of the website do not form a part of this prospectus).

STRUCTURE OF THE GLOBAL OFFERING

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants 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.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering 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 — 14. Dispatch/Collection of Share Certificates and Refund Monies” of this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including Shares to be issued pursuant to the exercise of any Options which may be granted pursuant to the Share Option Scheme);
- the Offer Price being duly determined and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;
- the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Purchase Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Purchase Agreement, as the case may be (unless and to the

STRUCTURE OF THE GLOBAL OFFERING

extent such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, October 24, 2015, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Tuesday, October 6, 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.reginamiracleholdings.com) on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance, as amended (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, the Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date. Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available following the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, none of our Shares are listed on, or dealt in, any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 8, 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, October 8, 2015.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 2199.

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 Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the White Form eIPO 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 **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its 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 **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR 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 in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

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 online through www.eipo.com.hk.

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.

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 Thursday, September 24, 2015 until 12:00 noon on Wednesday, September 30, 2015 from:

- the following office of the Hong Kong Underwriters:

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any of the following branches of the receiving banks:

(i) **Bank of China (Hong Kong) Limited**

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	194 Cheung Sha Wan Road Branch	194–196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Tai Po Branch	68–70 Po Heung Street, Tai Po Market
	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long

(ii) **Hang Seng Bank Limited**

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island . . .	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road, North Point
Kowloon	Tsimshatsui Branch	18 Carnarvon Road, Tsimshatsui
	Yaumati Branch	363 Nathan Road, Yaumati

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 24, 2015 until 12:00 noon on Wednesday, September 30, 2015 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 — Regina Miracle 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:

- Thursday, September 24, 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, September 25, 2015 — 9:00 a.m. to 5:00 p.m.
- Saturday, September 26, 2015 — 9:00 a.m. to 1:00 p.m.
- Tuesday, September 29, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, September 30, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, September 30, 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of the 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 (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the 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) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 the Company and the Sole Global Coordinator 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;
- (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 White Form eIPO 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; 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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who can apply” section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 24, 2015 until 11:30 a.m. on Wednesday, September 30, 2015 and the latest time for completing full payment of application monies in respect of such applications

HOW TO APPLY FOR HONG KONG OFFER SHARES

will be 12:00 noon on Wednesday, September 30, 2015 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2.00 for each “Regina Miracle International (Holdings) Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

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 +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong 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 Offer Shares under the International Offering;
 - (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 authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in

HOW TO APPLY FOR HONG KONG OFFER SHARES

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;

- authorize the Company to place HKSCC Nominees' name on the 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 the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any 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,

HOW TO APPLY FOR HONG KONG OFFER SHARES

and that acceptance of that application will be evidenced by the 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 the Company, for itself and for the benefit of the Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of the Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized 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 authorized 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 authorized 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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, September 24, 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, September 25, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Saturday, September 26, 2015 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
- Tuesday, September 29, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, September 30, 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

⁽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 Thursday, September 24, 2015 until 12:00 noon on Wednesday, September 30, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, September 30, 2015 the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of 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, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** 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 Wednesday, September 30, 2015.

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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“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 Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation” of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 30, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, September 30, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, October 7, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Company's website at www.reginamiracleholdings.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 the Company's website at www.reginamiracleholdings.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, October 7, 2015;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, October 7, 2015 to 12:00 midnight, Tuesday, October 13, 2015;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 7, 2015 to Saturday, October 10, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, October 7, 2015, Thursday, October 8, 2015 and Friday, October 9, 2015 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the 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 "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 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 to White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the White Form eIPO 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee 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 Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe 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.

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\$6.38 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 "Structure of the Global Offering — Conditions of the Global Offering" in 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 or before October 7, 2015.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DISPATCH/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 favor 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).

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 before October 7, 2015. 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 October 8, 2015 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more 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 Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East,

HOW TO APPLY FOR HONG KONG OFFER SHARES

Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 7, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 Wednesday, October 7, 2015, 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. 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 Wednesday, October 7, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 7, 2015, 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 Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The 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 the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 7, 2015 or any other date as determined by HKSCC or HKSCC

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 7, 2015 or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 7, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(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 Wednesday, October 7, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for

HOW TO APPLY FOR HONG KONG OFFER SHARES

corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Wednesday, October 7, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 7, 2015 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 CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, October 7, 2015. 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 Wednesday, October 7, 2015.

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 dealing 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report 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 Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

September 24, 2015

The Board of Directors
Regina Miracle International (Holdings) Limited
Morgan Stanley Asia Limited

Dear Sirs,

We report on the financial information of Regina Miracle International (Holdings) Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), which comprises the consolidated balance sheets and the balance sheets of the Company as at March 31, 2013, 2014 and 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended March 31, 2013, 2014 and 2015 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated September 24, 2015 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on September 21, 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation. The audited financial statements of the subsidiaries at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of the subsidiaries are set out in Note 1(b) of Section II.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (the “**Underlying Financial Statements**”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“**HKASs**”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2013, 2014 and 2015 and of the Group’s results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at March 31, 2013, 2014 and 2015 and for each of the years ended March 31, 2013, 2014 and 2015 (the “**Financial Information**”):

(a) Consolidated Income Statements

	Note	Year ended March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	2,903,273	3,802,971	4,192,009
Cost of sales	9	(2,277,011)	(3,012,621)	(3,212,625)
Gross profit		626,262	790,350	979,384
Other income	6	5,595	8,078	3,751
Other gains, net	7	1,426	6,015	910
Distribution and selling expenses	9	(74,422)	(75,956)	(79,337)
General and administrative expenses	9	(279,201)	(317,381)	(311,195)
Research and development costs	9	(96,382)	(110,112)	(125,792)
Gains/(losses) on derivative financial instruments	8	18,408	(49,516)	3,156
		<u>201,686</u>	<u>251,478</u>	<u>470,877</u>
Finance income	11	56	2,242	1,423
Finance costs	11	(48,917)	(53,958)	(52,119)
Finance costs, net		<u>(48,861)</u>	<u>(51,716)</u>	<u>(50,696)</u>
Profit before income tax		152,825	199,762	420,181
Income tax expense	12	(24,731)	(32,851)	(82,375)
Profit for the year attributable to owner of the Company		<u>128,094</u>	<u>166,911</u>	<u>337,806</u>
Earnings per share attributable to the owner of the Company during the year				
— basic and diluted	13	<u>13</u>	<u>17</u>	<u>34</u>

Note:

The earnings per share presented above has not taken into account the proposed capitalization issue pursuant to the written resolutions passed by the shareholders on September 11, 2015 because the proposed capitalization issue has not become effective as at the date of this report.

(b) Consolidated Statements of Comprehensive Income

	Note	Year ended March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Profit for the year		128,094	166,911	337,806
Other comprehensive income/(loss):				
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>				
Currency translation differences		6,350	7,147	(5,824)
Fair value gain on available-for-sale financial assets	17	588	2,076	2,749
Reclassification adjustment upon disposal of available-for-sale financial assets		—	—	(825)
Other comprehensive income/(loss) for the year, net of tax		6,938	9,223	(3,900)
Total comprehensive income attributable to owner of the Company		<u>135,032</u>	<u>176,134</u>	<u>333,906</u>

(c) Consolidated Balance Sheets

	Note	As at March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	934,388	976,315	1,067,422
Leasehold land and land use rights	15	20,523	20,425	118,095
Intangible assets	16	20,708	26,889	36,183
Available-for-sale financial assets	17	70,620	75,760	89,393
Deposits and prepayments	21	8,018	3,178	14,219
Deferred tax assets	28	1,145	—	597
		<u>1,055,402</u>	<u>1,102,567</u>	<u>1,325,909</u>
Current assets				
Inventories	19	554,128	557,877	573,715
Trade and bills receivables	20	273,291	471,501	430,716
Deposits, prepayments and other receivables	21	10,739	20,477	20,462
Amount due from a shareholder	22	384,847	444,012	500,740
Available-for-sale financial assets	17	—	15,465	4,949
Derivative financial instruments	27	1,916	5,684	1,341
Financial assets at fair value through profit or loss	18	80,400	24,145	—
Current income tax assets		—	—	4,581
Short-term bank deposits	23	60,676	61,697	12,495
Cash and cash equivalents	23	142,767	217,696	254,729
		<u>1,508,764</u>	<u>1,818,554</u>	<u>1,803,728</u>
Total assets		<u><u>2,564,166</u></u>	<u><u>2,921,121</u></u>	<u><u>3,129,637</u></u>
EQUITY				
Capital and reserves attributable to the owner of the Company				
Share capital	24	1	1	1
Reserves	25	<u>914,243</u>	<u>1,027,377</u>	<u>1,131,283</u>
Total equity		<u><u>914,244</u></u>	<u><u>1,027,378</u></u>	<u><u>1,131,284</u></u>

	Note	As at March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Borrowings	26	322,079	363,745	555,289
Deferred income tax liabilities	28	11,598	4,122	4,152
		<u>333,677</u>	<u>367,867</u>	<u>559,441</u>
Current liabilities				
Trade payables	29	271,186	310,974	356,588
Accruals and other payables . .	30	129,815	186,033	241,761
Amount due to a related party .	34(c)	60,676	61,696	—
Borrowings	26	790,847	803,657	685,013
Derivative financial instruments	27	30,407	112,196	98,465
Current income tax liabilities .		33,314	51,320	57,085
		<u>1,316,245</u>	<u>1,525,876</u>	<u>1,438,912</u>
Total liabilities		<u>1,649,922</u>	<u>1,893,743</u>	<u>1,998,353</u>
Total equity and liabilities . .		<u>2,564,166</u>	<u>2,921,121</u>	<u>3,129,637</u>
Net current assets		<u>192,519</u>	<u>292,678</u>	<u>364,816</u>
Total assets less current liabilities		<u>1,247,921</u>	<u>1,395,245</u>	<u>1,690,725</u>

(d) Balance Sheets

	Note	As at March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current asset				
Interest in a subsidiary	35(a)	<u>510,724</u>	<u>510,724</u>	<u>510,724</u>
Current asset				
Amount due from a subsidiary	35(b)	<u>97,432</u>	<u>160,408</u>	<u>390,364</u>
		<u>97,432</u>	<u>160,408</u>	<u>390,364</u>
Total assets		<u><u>608,156</u></u>	<u><u>671,132</u></u>	<u><u>901,088</u></u>
EQUITY				
Capital and reserves				
attributable to the owner				
of the Company				
Share capital	24	1	1	1
Reserves	35(d)	<u>514,157</u>	<u>514,133</u>	<u>514,089</u>
Total equity		<u><u>514,158</u></u>	<u><u>514,134</u></u>	<u><u>514,090</u></u>
LIABILITY				
Current liability				
Amount due to a shareholder	35(c)	<u>93,998</u>	<u>156,998</u>	<u>386,998</u>
		<u>93,998</u>	<u>156,998</u>	<u>386,998</u>
Total liability		<u><u>93,998</u></u>	<u><u>156,998</u></u>	<u><u>386,998</u></u>
Total equity and liability		<u><u>608,156</u></u>	<u><u>671,132</u></u>	<u><u>901,088</u></u>
Net current assets		<u><u>3,434</u></u>	<u><u>3,410</u></u>	<u><u>3,366</u></u>
Total assets less current liability		<u><u>514,158</u></u>	<u><u>514,134</u></u>	<u><u>514,090</u></u>

(e) Consolidated Statements of Changes in Equity

	Attributable to the owner of the Company		
	Share capital (Note 24)	Reserves (Note 25)	Total
	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2012	1	833,211	833,212
Total comprehensive income	—	135,032	135,032
Transaction with owner			
Dividend (Note 31)	—	(54,000)	(54,000)
As at March 31, 2013	1	914,243	914,244
As at April 1, 2013	1	914,243	914,244
Total comprehensive income	—	176,134	176,134
Transaction with owner			
Dividend (Note 31)	—	(63,000)	(63,000)
As at March 31, 2014	1	1,027,377	1,027,378
As at April 1, 2014	1	1,027,377	1,027,378
Total comprehensive income	—	333,906	333,906
Transaction with owner			
Dividend (Note 31)	—	(230,000)	(230,000)
As at March 31, 2015	1	1,131,283	1,131,284

(f) Consolidated Cash Flow Statements

	Note	Year ended March 31,		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Cash generated from operations	32(a)	204,523	369,197	745,493
Profits tax paid		(18,289)	(21,176)	(81,758)
Net cash generated from operating activities		<u>186,234</u>	<u>348,021</u>	<u>663,735</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(55,278)	(153,726)	(220,716)
Prepayments for purchase of property, plant and equipment and intangible assets		(4,086)	—	(6,787)
Purchase of leasehold land and land use rights		—	—	(96,044)
Prepayments for purchase of land use rights		—	(2,165)	(4,013)
Purchase of intangible assets		(8,530)	(9,144)	(13,884)
(Increase)/decrease of short-term bank deposits		(60,676)	(1,021)	49,202
Proceeds from disposal of property, plant and equipment		77	150	30
Additions of available-for-sale financial assets		(11,208)	(19,161)	(15,833)
Proceeds from disposals of available-for-sale financial assets		18,363	1,172	14,640
Proceeds from/(payment for) settlement of derivative financial instruments		14,959	28,505	(6,232)
Interest received		56	2,242	1,423
Increase in amount due from a shareholder		(201,621)	(122,165)	(286,728)
Net cash used in investing activities		<u>(307,944)</u>	<u>(275,313)</u>	<u>(584,942)</u>
Cash flows from financing activities				
Proceeds from borrowings		296,075	274,821	485,369
Repayments of borrowings		(106,647)	(224,377)	(412,469)
Interest paid		(48,917)	(49,926)	(52,119)
Advance from/(repayment to) a related party		60,677	—	(61,696)
Net cash generated from/ (used in) financing activities		<u>201,188</u>	<u>518</u>	<u>(40,915)</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of the year		79,478	73,226	37,878
Currency translation differences		63,230	142,767	217,696
		59	1,703	(845)
Cash and cash equivalents at end of the year	23	<u>142,767</u>	<u>217,696</u>	<u>254,729</u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

(a) General information

Regina Miracle International (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands on September 21, 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment company and its subsidiaries are principally engaged in the manufacturing and trading of bras, intimate wear, bra pads, other molded products and functional sports products. The Company’s ultimate controlling shareholder is Mr. Hung Yau Lit.

(b) Details of subsidiaries

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held as at				Principal activities
			March 31, 2013	March 31, 2014	March 31, 2015	As at the date of this report	
Directly held by the Company							
Regina Miracle International (Holdings) Limited ⁽⁶⁾	Incorporated on March 30, 2007 in the British Virgin Islands	US\$100	100%	100%	100%	100%	Investment holding
Indirectly held by the Company							
Regina Miracle International (Group) Limited ⁽¹⁾	Incorporated on November 14, 2005 in Hong Kong	HK\$5,000,000	100%	100%	100%	100%	Trading of brassieres and panties, and functional sports products
Regina Miracle International Limited ⁽²⁾	Incorporated on May 20, 1998 in Hong Kong	HK\$100	100%	100%	100%	100%	Trading of bra pads and other molded products
Regina Miracle Intimate Apparel (Shenzhen) Co., Limited ⁽³⁾	Incorporated on February 6, 2006 in the People’s Republic of China (“ PRC ”)	HK\$300,000,000	100%	100%	100%	100%	Manufacturing of brassieres and panties, and functional sports products
Honour First (Hong Kong) Limited ⁽²⁾	Incorporated on July 5, 2005 in Hong Kong	HK\$10,000	100%	100%	100%	100%	Provision of sales agency and information technology services
Regina Miracle (Shenzhen) Limited ⁽⁴⁾	Incorporated on April 17, 2014 in the PRC	HK\$10,000,000	N/A	N/A	100%	100%	Manufacturing of bra pads and other molded products

Name	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held as at				Principal activities
			March 31, 2013	March 31, 2014	March 31, 2015	As at the date of this report	
Regina Miracle International (Vietnam) Limited ^{(6), (7)}	Incorporated on July 12, 2007 in the British Virgin Islands	US\$2	N/A	100%	100%	100%	Investment holding
Regina Miracle International (Vietnam) Limited ^{(2), (8)}	Incorporated on March 28, 2006 in Hong Kong	HK\$10,000	N/A	100%	100%	100%	Investment holding
Regina Miracle International (Vietnam) Co. Ltd. ⁽⁵⁾	Incorporated on March 20, 2014 in Vietnam	US\$7,985,000	N/A	100%	100%	100%	Manufacturing of brassieres and panties
Regina Miracle International Hai Duong Co., Ltd. ⁽¹¹⁾	Incorporated on June 26, 2015 in Vietnam	nil	N/A	N/A	N/A	100%	Manufacturing of sports footwear
Regina Miracle International Group (Suzhou) Limited ^{(6), (9)}	Incorporated on August 7, 2014 in the British Virgin Islands	HK\$1	N/A	N/A	100%	100%	Investment holding
Regina Miracle International Group (Suzhou) Limited ⁽⁵⁾	Incorporated on October 6, 2014 in the Hong Kong	HK\$1	N/A	N/A	100%	100%	Investment holding
Regina Miracle International Group (Suzhou) Limited ⁽¹⁰⁾	Incorporated on January 26, 2015 in the PRC	nil	N/A	N/A	100%	100%	Manufacturing of brassieres and panties
Regina Miracle Management Limited ⁽¹¹⁾	Incorporated on April 14, 2015 in Hong Kong	HK\$1	N/A	N/A	N/A	100%	Investment holding

Notes:

- (1) The statutory financial statements for each of the years ended March 31, 2013 and 2014 were audited by PricewaterhouseCoopers Hong Kong.
- (2) The statutory financial statements for each of the years ended March 31, 2013 and 2014 were audited by Horizon (HK) CPA Limited.
- (3) This subsidiary had accounting year end date of December 31, 2012, 2013 and 2014 and prepared financial information as at March 31, 2013, 2014 and 2015 for the purpose of the Group's consolidation. The statutory financial statements for each of the years ended December 31, 2012, 2013 and 2014 were audited by Shenzhen Great Wall CPA Co., Limited, Shenzhen Hongxing CPA and Shenzhen Baolong Certified Public Accountants Co., Limited respectively.
- (4) This subsidiary had accounting year end date of December 31, 2014 and prepared financial information as at March 31, 2015 for the purpose of the Group's consolidation. The statutory financial statements for the year ended December 31, 2014 were audited by Shenzhen Baolong Certified Public Accountants Co., Limited.
- (5) No audited financial statements for these subsidiaries were available for the years ended March 31, 2013 and 2014 as it was newly incorporated in 2014.
- (6) No audited financial statements were issued for these subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their place of incorporation.
- (7) Pursuant to a resolution dated December 3, 2013, the name of this subsidiary has changed from Regina Miracle International (Group) Limited to Regina Miracle International (Vietnam) Limited.
- (8) Pursuant to a resolution dated December 12, 2013, the name of this subsidiary has changed from Regina Miracle International (Holdings) Limited to Regina Miracle International (Vietnam) Limited.
- (9) Pursuant to a resolution dated September 19, 2014, the name of this subsidiary has changed from Regina Miracle Investment Holdings Limited to Regina Miracle International Group (Suzhou) Limited.
- (10) No audited financial statements for this subsidiary was available for the years ended March 31, 2013 and 2014 as it was newly incorporated in 2015.
- (11) No audited financial statements for these subsidiaries were available for the years ended March 31, 2013, 2014 and 2015 as they were newly incorporated in 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA as set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, and derivative financial instruments.

The Financial Information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity or areas when assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

The following are standards and amendments to existing standards that have been published and are relevant to the Group, but are not effective for the financial year beginning on April 1, 2014 and have not been early adopted by the Group:

HKFRS 9 (2014)	Financial Instruments ⁴
HKAS 10 and HKAS 28 Amendments	Sale or Contribution of Assets Between an Investor and Its Associates or Joint Venture ²
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ⁴
HKAS 16 and HKAS 38 Amendments	Acceptable Methods of Depreciation and Amortization ²
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants ²
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions ¹
HKAS 27 Amendment	Equity Method in Separate Financial Statements ²
HKFRSs Amendments	Annual Improvements 2010-2012 Cycle ¹
HKFRSs Amendments	Annual Improvements 2011-2013 Cycle ¹
HKFRSs Amendments	Annual Improvements 2012-2014 Cycle ²

¹ effective for annual periods beginning on or after April 1, 2015

² effective for annual periods beginning on or after April 1, 2016

³ effective for annual periods beginning on or after April 1, 2017

⁴ effective for annual periods beginning on or after April 1, 2018

Management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial information will result.

In addition, the Company has early adopted the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622).

2.2 SUBSIDIARIES

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) 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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values 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 recognizes 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 recognized amounts of acquiree's identifiable net assets.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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 in the consolidated financial statements of the investee's net assets including goodwill.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States Dollar ("**US\$**"). The Financial Information are presented in Hong Kong Dollar ("**HK\$**"), which is the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(iii) *Group companies*

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement 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 dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives using the following depreciation rates, as follows:

Building	5%
Leasehold improvements	Over the unexpired period of the lease
Plant and machinery	7% to 10%
Office furniture and fixtures	20% to 33%
Computer equipment	20% to 33%
Motor vehicles	20%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized within general and administrative expenses in the consolidated income statement.

2.6 CONSTRUCTION IN PROGRESS

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

2.7 LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land and land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents upfront prepayments made for the rights to use the land over the lease term of 50 years. Amortization of leasehold land is expressed in the consolidated income statement on a straight-line basis over the period of the lease.

2.8 INTANGIBLE ASSETS

Computer software

Acquired computer software license is capitalized on the basis of the costs incurred to acquire the specific software. The computer software acquired is carried at costs less accumulated amortization and accumulated impairment. These costs are amortized over their estimated useful lives of 5 to 10 years.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 FINANCIAL ASSETS AND LIABILITIES

Classification

The Group classifies its financial assets and financial liabilities in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss are financial assets/liabilities held for trading. A financial asset/liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Balances in this category are classified as current assets/liabilities.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case they are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, deposits and other receivables, amount due from a shareholder and cash and cash equivalents in the consolidated balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of investments are recognized on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets/liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group's right to receive payments is established.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

(a) *Assets carried at amortized cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

For debt securities, if any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in fair value of the derivative financial instruments which do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

2.14 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 TRADE AND OTHER RECEIVABLES

Trade and bills receivables are amounts due from customers for goods sold in the ordinary course of business. 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturity of 3 months or less and bank overdrafts.

2.17 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.

2.18 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 BORROWINGS AND BORROWING COSTS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

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.

All borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2.20 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognized, 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, 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(iii) 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 taxes 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.

2.21 EMPLOYEE BENEFITS*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution retirement benefit plans organized by relevant government authorities for its employees in the PRC and a mandatory provident fund scheme (“**MPF Scheme**”) for its employees in Hong Kong.

The Group contributes for its employees in the PRC based on certain percentage of their salaries on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees’ salaries, up to a maximum of HK\$1,000, HK\$1,250 and HK\$1,500 per month during the period from April 1, 2012 to May 31, 2012, from June 1, 2012 to May 31, 2014, and from June 1, 2014 to March 31, 2015, respectively, and thereafter contributions are voluntary. The assets of MPF Scheme are held separately from those of the Group in an independently administered fund.

(iii) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.22 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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 recognized 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 REVENUE RECOGNITION

Revenue comprises 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, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sale of goods*

Sale of goods are recognized when a Group's entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

(iii) *Dividend income*

Dividend income is recognized when the right to receive payment is established.

2.24 LEASES (AS THE LESSEE)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.26 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

(a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks including price risk, cash flow interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Management regularly manages the financial risks of the Group. The Group uses derivative financial instruments to hedge foreign exchange risk and cash flow interest rate risk. The hedges do not meet the criteria for hedge accounting.

(i) Price risk

Majority of the raw materials used by the Group are polyester, polyamide and spandex and are subject to market price risk. The Group has not used any hedging activities to hedge its exposure to market price risk.

The Group is exposed to price risk of equity securities, debt securities and investment funds because certain investments held by the Group classified the consolidated balance sheet as available-for-sale financial assets and financial assets at fair value through profit or loss. Profit before income tax and other comprehensive income would increase/decrease as a result of gains/losses on these instruments.

At as March 31, 2013, 2014 and 2015, if there had been a 5% change in the market value of these equity securities, debt securities and investment funds classified as available-for-sale financial assets, with all other variables held constant, the Group's total comprehensive income would have been increased/decreased by approximately HK\$549,000, HK\$1,162,000 and HK\$442,000, respectively.

As at March 31, 2015, the Group has no equity securities classified as financial assets at fair value through profit or loss. At as March 31, 2013 and 2014, if there had been a 5% change in the market value of these equity securities classified as financial assets at fair value through profit or loss, with all other variables held constant, the Group's profit before tax would have been increased/decreased by approximately HK\$4,020,000 and HK\$1,207,000, respectively.

(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents and short-term bank deposits, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its borrowings with floating interest rates. These borrowings expose the Group to cash flow interest rate risk. To manage any exposure arising from the changes in market interest rates, the Group enters into interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. This interest rate swap is not qualified as hedging for accounting purposes.

At March 31, 2013, 2014 and 2015, if interest rates had been increased/decreased by 100 basis points with all other variables held constant, profit before income tax would decrease/increase by HK\$11,129,000, HK\$11,674,000 and HK\$12,403,000, respectively, resulting from the changes in borrowing costs of bank borrowings subject to floating interest rate.

(iii) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollar, United States Dollar and Renminbi. Most of its sales proceeds were received in United States Dollar, and most of the purchases are conducted in United States Dollar. Most of its production cost, such as wages are incurred in Renminbi. Hong Kong Dollar is pegged with United States Dollar, thus foreign exchange exposure is considered as minimal. The Group uses foreign exchange forward contracts to mitigate a proportion of its exposures on Renminbi against United States Dollar. These foreign exchange forward contracts are not qualified as hedging for accounting purposes. Management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

At March 31, 2013, 2014 and 2015, the Group has limited Euro ("EUR") denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The foreign exchange exposure in respect of EUR is considered as minimal.

At March 31, 2013, 2014 and 2015, if Renminbi had strengthened/weakened by 5% against United States Dollar with all other variables held constant, profit for the years ended March 31, 2013, 2014 and 2015 would have been approximately HK\$5,069,000, HK\$6,874,000 and HK\$1,523,000, respectively, higher/lower, mainly as a result of foreign exchange gains on translation of RMB denominated trade and other receivables, cash and cash equivalents and trade and other payables.

(iv) Credit risk

The credit risk of the Group mainly arises from trade and bills receivables, other receivables and deposits, amount due from a shareholder and bank deposits. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimize the credit risk arising from bank deposits, deposits are mainly placed with reputable banks.

The Group's credit risk is concentrated on a number of major and long established customers. As at March 31, 2013, 2014 and 2015, trade and bills receivables from the top five customers represent approximately 37%, 43% and 49% of the Group's total trade and bills receivables, respectively. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade and bills receivables falls within the recorded allowances.

Management considers the credit risk for amount due from a shareholder to be minimal after considering his financial condition and other factors. Management has performed assessment over the recoverability of the balance and management does not expect any losses from non-performance of the shareholder.

(v) Liquidity risk

The Group finances its working capital requirements through a combination of funds generated from its operations and bank borrowings. The Group's policy is to maintain sufficient cash and cash equivalents and have sufficient available funding through committed credit facilities to meet its working capital requirements. The Directors believe that the Group has maintained sufficient general banking facilities for financing capital commitment in the near future and for working capital purposes.

At March 31, 2013, 2014 and 2015, the Group held cash and cash equivalents of HK\$142,767,000, HK\$217,696,000 and HK\$254,729,000, short-term bank deposits of HK\$60,676,000, HK\$61,697,000 and HK\$12,495,000, and trade and bills receivables of HK\$273,291,000, HK\$471,501,000 and HK\$430,716,000, respectively, that are expected to readily generate cash inflows for managing liquidity risk. At March 31, 2013 and 2014, the Group held listed equity securities which are classified as financial assets at fair value through profit or loss of HK\$80,400,000 and HK\$24,145,000, respectively, which could also be readily realized to provide a further source of cash if the need arose.

The tables below analyze the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements, while interest payments are computed using contractual rates.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at March 31, 2013				
Trade payables	271,186	—	—	271,186
Accruals and other payables	34,261	—	—	34,261
Amount due to a related party	60,676	—	—	60,676
Borrowings	790,847	197,596	124,483	1,112,926
Bank interest payables	16,778	8,106	2,594	27,478
	<u>1,173,748</u>	<u>205,702</u>	<u>127,077</u>	<u>1,506,527</u>
As at March 31, 2014				
Trade payables	310,974	—	—	310,974
Accruals and other payables	55,634	—	—	55,634
Amount due to a related party	61,696	—	—	61,696
Borrowings	803,657	152,565	211,180	1,167,402
Bank interest payables	14,230	8,661	3,170	26,061
	<u>1,246,191</u>	<u>161,226</u>	<u>214,350</u>	<u>1,621,767</u>
As at March 31, 2015				
Trade payables	356,588	—	—	356,588
Accruals and other payables	114,860	—	—	114,860
Borrowings	685,013	341,845	213,444	1,240,302
Bank interest payables	20,213	11,210	3,411	34,834
	<u>1,176,674</u>	<u>353,055</u>	<u>216,855</u>	<u>1,746,584</u>

(b) *Fair value estimation*

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term bank deposits, trade and bills receivables, deposits and other receivables and amount due from a shareholder, and the Group's current financial liabilities, including trade payables, accruals and other payables and borrowings, approximate their fair values due to their short maturities. Financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments are at fair values. For the non-current portion of the borrowings, as the borrowings bear floating rates, the carrying amounts approximate their fair values. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
March 31, 2013				
Assets				
Available-for-sale financial assets	632	10,348	59,640	70,620
Derivative financial instruments:				
— Foreign exchange forward contracts	—	1,916	—	1,916
Financial assets at fair value through profit or loss	<u>80,400</u>	<u>—</u>	<u>—</u>	<u>80,400</u>
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	—	7,803	—	7,803
— Interest rate swap contracts	<u>—</u>	<u>22,604</u>	<u>—</u>	<u>22,604</u>

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
March 31, 2014				
Assets				
Available-for-sale financial assets	—	23,238	67,987	91,225
Derivative financial instruments:				
— Foreign exchange forward contracts	—	606	—	606
— Interest rate swap contracts	—	5,078	—	5,078
Financial assets at fair value through profit or loss	<u>24,145</u>	<u>—</u>	<u>—</u>	<u>24,145</u>
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	—	98,073	—	98,073
— Interest rate swap contracts	<u>—</u>	<u>14,123</u>	<u>—</u>	<u>14,123</u>
March 31, 2015				
Assets				
Available-for-sale financial assets	—	8,834	85,508	94,342
Derivative financial instruments:				
— Foreign exchange forward contracts	—	1	—	1
— Interest rate swap contracts	—	1,340	—	1,340
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	—	90,832	—	90,832
— Interest rate swap contracts	<u>—</u>	<u>7,633</u>	<u>—</u>	<u>7,633</u>

During the years ended March 31, 2013, 2014 and 2015, there were no transfers of financial assets and liabilities between level 1, level 2 and level 3.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange or dealer, and those prices represent actual and

regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Financial instruments in level 2

The fair values of unlisted debt securities, investment funds and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available 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.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices from banks or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments in level 3

The fair value of unlisted insurance policy investments that is not traded in an active market is determined by reference to the expected return from the insurance policy investment which in turn is mainly derived from the account value of the insurance policy.

The following table presents the changes in level 3 instruments for the years ended March 31, 2013, 2014 and 2015.

	<u>Year ended March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000	HK\$'000
As at April 1	50,435	59,640	67,987
Additions	8,617	6,851	15,833
Fair value gain recognized to other comprehensive income	<u>588</u>	<u>1,496</u>	<u>1,688</u>
As at March 31	<u>59,640</u>	<u>67,987</u>	<u>85,508</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year	<u>—</u>	<u>—</u>	<u>—</u>
Changes in fair value gains or losses for the year included in profit or loss at the end of the year	<u>—</u>	<u>—</u>	<u>—</u>

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders. In order to maintain an optimal capital structure to reduce the cost of capital, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. At March 31, 2013, 2014 and 2015, the Group had a gearing ratio of 50%, 46% and 46%, respectively. This ratio is calculated as net debts (represented by bank borrowings less the cash and cash equivalents and short-term bank deposits) divided by total capital. Total capital is calculated as total equity plus net debt. The gearing ratios were as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Total borrowings (Note 26)	1,112,926	1,167,402	1,240,302
Less:			
Cash and cash equivalents (Note 23)	(142,767)	(217,696)	(254,729)
Short-term bank deposits (Note 23)	(60,676)	(61,697)	(12,495)
Net debt	909,483	888,009	973,078
Total equity	914,244	1,027,378	1,131,284
Total capital	<u>1,823,727</u>	<u>1,915,387</u>	<u>2,104,362</u>
Gearing ratio	<u>50%</u>	<u>46%</u>	<u>46%</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial information 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 within the next financial year are discussed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of

inventories in the period in which such estimate has been changed. Management reassesses these estimates at each balance sheet date.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and the provision for impairment losses in the year in which such estimate has been changed. Management reassesses the provision at each balance sheet date.

(c) Income tax

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgment is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated taxes 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 would impact the current tax and deferred tax provisions in the period in which such determination is made.

(d) Valuation of unlisted financial instruments

Where the fair value of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(e) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5 SEGMENT INFORMATION

The executive directors of the Company (the "**Executive Directors**") are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The Executive Directors review the performance of the Group mainly from the product perspective. The Group is organized into three segments engaged in manufacturing and trading of:

- (i) Bras and intimate wear;
- (ii) Bra pads and other molded products; and
- (iii) Functional sports products.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit of each segment, which is consistent with that of the financial information. Other information, as noted below, is also provided to the Executive Directors. The revenue reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statements.

The Company is domiciled in Hong Kong.

The segment results for the year ended March 31, 2013 are as follows:

	Year ended March 31, 2013			
	Bras and intimate wear	Bra pads and other molded products	Functional sports products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total segment revenue	2,029,924	833,530	39,819	2,903,273
Gross profit/segment results . .	388,142	237,357	763	626,262
Other income				5,595
Other gains, net				1,426
Distribution and selling expenses				(74,422)
General and administrative expenses				(279,201)
Research and development costs				(96,382)
Gains on derivative financial instruments				18,408
Finance income				56
Finance costs				(48,917)
Profit before income tax				152,825
Income tax expense				(24,731)
Profit for the year				128,094

Other segment item included in the consolidated income statement for the year ended March 31, 2013 is as follows:

Depreciation included in cost of sales	41,931	44,815	823	87,569
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The segment results for the year ended March 31, 2014 are as follows:

	Year ended March 31, 2014			
	Bras and intimate wear	Bra pads and other molded products	Functional sports products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total segment revenue	<u>2,857,426</u>	<u>796,694</u>	<u>148,851</u>	<u>3,802,971</u>
Gross profit/segment results . .	507,466	274,410	8,474	790,350
Other income				8,078
Other gains, net				6,015
Distribution and selling expenses				(75,956)
General and administrative expenses				(317,381)
Research and development costs				(110,112)
Losses on derivative financial instruments				(49,516)
Finance income				2,242
Finance costs				<u>(53,958)</u>
Profit before income tax				199,762
Income tax expense				<u>(32,851)</u>
Profit for the year				<u>166,911</u>

Other segment item included in the consolidated income statement for the year ended March 31, 2014 is as follows:

Depreciation included in cost of sales	<u>48,432</u>	<u>43,174</u>	<u>2,523</u>	<u>94,129</u>
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The segment results for the year ended March 31, 2015 are as follows:

	Year ended March 31, 2015			
	Bras and intimate wear	Bra pads and other molded products	Functional sports products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total segment revenue	<u>2,941,077</u>	<u>774,793</u>	<u>476,139</u>	<u>4,192,009</u>
Gross profit/segment results . .	648,897	220,542	109,945	979,384
Other income				3,751
Other gains, net				910
Distribution and selling expenses				(79,337)
General and administrative expenses				(311,195)
Research and development costs				(125,792)
Gains on derivative financial instruments				3,156
Finance income				1,423
Finance costs				<u>(52,119)</u>
Profit before income tax				420,181
Income tax expense				<u>(82,375)</u>
Profit for the year				<u><u>337,806</u></u>

Other segment item included in the consolidated income statement for the year ended March 31, 2015 is as follows:

Depreciation included in cost of sales	<u>50,918</u>	<u>44,871</u>	<u>8,243</u>	<u>104,032</u>
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Revenue from external customers by countries/regions based on the headquarters of the customers:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
United States	1,839,750	2,689,681	2,955,768
Europe	185,020	224,897	384,770
Hong Kong	426,243	427,044	353,169
PRC	159,959	173,611	170,013
Japan	50,671	113,001	128,384
South Asia (Note a)	128,252	89,358	72,402
South-east Asia (Note b)	94,293	50,784	70,566
Other countries/regions (Note c)	19,085	34,595	56,937
	<u>2,903,273</u>	<u>3,802,971</u>	<u>4,192,009</u>

Note a: Includes Bangladesh, Sri Lanka and India.

Note b: Includes Malaysia, Indonesia, Singapore, Philippines, Vietnam and Thailand.

Note c: Include Taiwan, Turkey, Australia, Colombia and others.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Executive Directors.

Non-current assets, other than available-for-sale financial assets, of the Group are located in the following geographical areas:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
PRC	948,321	986,414	929,666
Hong Kong	36,461	38,228	37,947
Vietnam	—	2,165	268,903
	<u>984,782</u>	<u>1,026,807</u>	<u>1,236,516</u>

An analysis of the Group's major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

Customer	Location	Segments	Year ended March 31,		
			2013	2014	2015
			HK\$'000	HK\$'000	HK\$'000
Customer A	United States	Bras and intimate wear	934,404	1,331,167	1,257,876
Customer B	United States	Bras and intimate wear	N/A	392,780	486,209
Customer C	United States	Bras and intimate wear	397,668	462,921	373,672
Customer C	United States	Bra pads and other molded products	<u>56,587</u>	<u>67,525</u>	<u>98,970</u>

6 OTHER INCOME

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Scrap sales income	3,392	5,047	2,828
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	1,610	623	384
Others	593	2,408	539
	<u>5,595</u>	<u>8,078</u>	<u>3,751</u>

7 OTHER GAINS, NET

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of available-for-sale financial assets	2,167	540	—
(Loss)/gain on financial assets at fair value through profit or loss	(509)	5,475	910
Impairment loss of available-for-sale financial assets	(232)	—	—
	<u>1,426</u>	<u>6,015</u>	<u>910</u>

8 GAINS/(LOSSES) ON DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Fair value (loss)/gain on derivative financial instruments			
— foreign exchange forward contracts (Note 27)	(6,499)	(98,431)	(14,993)
— interest rate swap contracts (Note 27)	4,588	13,559	2,750
Gain/(loss) on settlement of derivative financial instruments			
— foreign exchange forward contracts (Note 27)	11,480	10,839	10,180
— interest rate swap contracts (Note 27)	(7,505)	(6,872)	(4,926)
— equity put options (Note)	16,344	31,389	10,145
	<u>18,408</u>	<u>(49,516)</u>	<u>3,156</u>

Note: The Group entered into equity put options with a bank during the years ended March 31, 2013, 2014 and 2015. There were no outstanding equity put options as at March 31, 2015.

9 EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses, general and administrative expenses, and research and development costs are analyzed as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Amortization of leasehold land and land use rights (Note 15)	396	405	403
Amortization of intangible assets (Note 16)	1,897	2,963	4,530
Auditor's remuneration			
— Audit services	750	750	750
— Non-audit services	770	462	2,867
Depreciation of property, plant and equipment (Note 14)	114,834	120,053	126,468
Bank charges	4,037	3,879	3,471
Consumables	55,695	67,191	68,545
Cost of inventories sold (Note 19)	1,220,723	1,618,194	1,687,928
Donations	4,462	2,369	1,439
Employee benefit expenses (Note 10)	1,019,075	1,355,823	1,487,387
Freight and transportation expenses	33,756	35,581	36,155
Loss on disposal of property, plant and equipment	18	57	76
Operating lease rental of land and buildings	50,239	53,738	67,259
Utilities	79,512	94,999	101,263
Listing expenses	1,095	857	6,172
Others	139,757	158,749	134,236
	<u>2,727,016</u>	<u>3,516,070</u>	<u>3,728,949</u>
Representing:			
Cost of sales	2,277,011	3,012,621	3,212,625
Distribution and selling expenses	74,422	75,956	79,337
General and administrative expenses	279,201	317,381	311,195
Research and development costs	96,382	110,112	125,792
	<u>2,727,016</u>	<u>3,516,070</u>	<u>3,728,949</u>

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Wages, salaries, bonus and allowances	972,451	1,288,795	1,379,324
Retirement benefit costs — defined contribution schemes (Note (a))	31,968	49,358	80,875
Staff welfare and benefits	14,656	17,670	27,188
	<u>1,019,075</u>	<u>1,355,823</u>	<u>1,487,387</u>

(a) Retirement benefit costs — defined contribution schemes

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group contributes a certain percentage of the salaries of the subsidiaries' employees, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-managed retirement plans are responsible for the entire pension obligations payable to the retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HK\$1,000, HK\$1,250 and HK\$1,500 per month during the period from April 1, 2012 to May 31, 2012, from June 1, 2012 to May 31, 2014, and from June 1, 2014 to March 31, 2015, respectively, and thereafter contributions are voluntary.

(b) Director's and chief executive's emoluments

The remunerations of every director and the chief executive for each of the years ended March 31, 2013, 2014 and 2015 are set out below:

	Fees	Salaries	Estimated money value of other benefits	Housing allowance	Employer's contribution to a retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended March 31, 2013						
Hung Yau Lit (Director and chief executive)	—	7,800	—	—	41	7,841
Year ended March 31, 2014						
Hung Yau Lit (Director and chief executive)	—	7,800	—	—	45	7,845
Year ended March 31, 2015						
Hung Yau Lit (Director and chief executive)	—	8,700	—	—	50	8,750

The remuneration shown above represents remuneration received and receivable from the Group by the director in his capacity as an employee to the Group and/or in his capacity as the director of the Company during the years ended March 31, 2013, 2014 and 2015.

No remunerations are paid or receivables in respect of accepting office as director during the years ended March 31, 2013, 2014 and 2015.

No emoluments are paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended March 31, 2013, 2014 and 2015.

No director waived or agreed to waive any emoluments during the years ended March 31, 2013, 2014 and 2015.

Except disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years.

(c) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include one, one and one director whose emolument is reflected in the analysis presented above for the years ended March 31, 2013, 2014 and 2015, respectively. The emoluments payable to the remaining four, four and four individuals for the years ended March 31, 2013, 2014 and 2015, respectively, whose emoluments were the highest in the Group are as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Wages, salaries, bonus and allowances . . .	7,570	7,925	8,456
Retirement benefit costs — defined contribution schemes	59	68	104
	<u>7,629</u>	<u>7,993</u>	<u>8,560</u>

The emoluments fell within the following bands:

	Number of individuals		
	Year ended March 31,		
	2013	2014	2015
HK\$1,500,001 to HK\$2,000,000	3	2	1
HK\$2,000,001 to HK\$2,500,000	1	2	3

11 FINANCE INCOME AND COSTS

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Finance income			
— interest income on bank deposits	56	2,242	1,423
Finance costs			
— interest expense on amount due to a related party (Note 34(a))	—	(2,081)	(951)
— interest expense on borrowings	<u>(48,917)</u>	<u>(51,877)</u>	<u>(51,168)</u>
Finance costs, net	<u>(48,861)</u>	<u>(51,716)</u>	<u>(50,696)</u>

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for each of the years ended March 31, 2013, 2014 and 2015. One of the Hong Kong subsidiaries was subject to Hong Kong profits tax at a rate of 8.25% in respect of its profits derived from the contract processing arrangement during the years ended March 31, 2013, 2014 and 2015. The contract processing arrangement ceased in July 2014 which resulted in its loss of the preferential profits tax rate of 8.25% and an increase in the profits tax rate from 8.25% to 16.5% thereafter.

The applicable tax rate for the PRC subsidiaries of the Group is 25% for each of the years ended March 31, 2013, 2014 and 2015.

The subsidiary established and operated in Vietnam was subject to corporate income tax at a rate of 22%. In accordance with the investment certificate, the subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when taxable income is generated for the first time or (ii) the fourth year of making revenue; and a 50% reduction in corporate income tax for the next nine years. The subsidiary has no taxable profit for the years ended March 31, 2013, 2014 and 2015.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current income tax			
— Hong Kong profits tax	16,431	25,931	59,264
— PRC enterprise income tax	6,522	13,251	23,678
Deferred income tax (Note 28)	<u>1,778</u>	<u>(6,331)</u>	<u>(567)</u>
Income tax expense	<u>24,731</u>	<u>32,851</u>	<u>82,375</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	<u>152,825</u>	<u>199,762</u>	<u>420,181</u>
Tax calculated at domestic tax rate applicable to profits in respective jurisdictions	22,954	28,786	76,441
Tax effects of:			
Income not subject to tax	(1,741)	(285)	(282)
Expenses not deductible for taxation purpose	3,468	4,215	6,213
Others	<u>50</u>	<u>135</u>	<u>3</u>
Income tax expense	<u>24,731</u>	<u>32,851</u>	<u>82,375</u>

The weighted average applicable tax rate for the years ended March 31, 2013, 2014 and 2015 was 15.0%, 14.4% and 18.2%, respectively.

There was no material fluctuation in the weighted average applicable tax rate for the years ended March 31, 2013 and 2014.

The increase in weighted average applicable tax rate increased from 14.4% for the year ended March 31, 2014 to 18.2% for the year ended March 31, 2015 was mainly due to cessation of the contract processing arrangement of a subsidiary in July 2014 which resulted in a loss of the preferential profits tax rate of 8.25% and an increase in the profits tax rate from 8.25% to 16.5% thereafter.

13 EARNINGS PER SHARE*(a) Basic*

Basic earnings per share for the years ended March 31, 2013, 2014 and 2015 is calculated by dividing the profit attributable to owner of the Company by the weighted average number of ordinary shares in issue. Pursuant to the written resolutions passed by the shareholders on September 11, 2015, the issued ordinary shares were sub-divided from 100 shares to 10,000 shares. Accordingly, the calculations of the basic and diluted earnings per share were adjusted retrospectively for each of the years ended March 31, 2013, 2014 and 2015. However, it has not taken into account the capitalization issue of 884,990,000 shares pursuant to the written resolutions passed by the shareholders on September 11, 2015 as the capitalization issue has not become effective as at the date of this report.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit attributable to owner of the Company	<u>128,094</u>	<u>166,911</u>	<u>337,806</u>
Weighted average number of ordinary shares in issue	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Basic earnings per share	<u>13</u>	<u>17</u>	<u>34</u>

(b) Diluted

Diluted earnings per share for the years ended March 31, 2013, 2014 and 2015 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

14 PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Plant and machinery	Office furniture and fixtures	Computer equipment	Motor vehicles	Construction in progress	Total
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
At April 1, 2012								
Cost	24,012	710,105	609,880	64,630	40,954	13,644	3,754	1,466,979
Accumulated depreciation	(3,067)	(142,086)	(250,654)	(47,531)	(23,242)	(9,015)	—	(475,595)
Net book amount	<u>20,945</u>	<u>568,019</u>	<u>359,226</u>	<u>17,099</u>	<u>17,712</u>	<u>4,629</u>	<u>3,754</u>	<u>991,384</u>
Year ended March 31, 2013								
Opening net book amount	20,945	568,019	359,226	17,099	17,712	4,629	3,754	991,384
Additions	—	30,119	17,276	1,616	3,282	341	2,644	55,278
Disposal	—	(16)	—	—	—	(79)	—	(95)
Transfer-in/(out)	—	—	5,495	—	—	—	(5,495)	—
Depreciation	(1,608)	(45,156)	(53,333)	(6,854)	(6,444)	(1,439)	—	(114,834)
Currency translation differences	177	1,576	720	52	98	12	20	2,655
Closing net book amount	<u>19,514</u>	<u>554,542</u>	<u>329,384</u>	<u>11,913</u>	<u>14,648</u>	<u>3,464</u>	<u>923</u>	<u>934,388</u>
At March 31, 2013								
Cost	24,221	742,371	633,875	66,360	44,404	13,816	923	1,525,970
Accumulated depreciation	(4,707)	(187,829)	(304,491)	(54,447)	(29,756)	(10,352)	—	(591,582)
Net book amount	<u>19,514</u>	<u>554,542</u>	<u>329,384</u>	<u>11,913</u>	<u>14,648</u>	<u>3,464</u>	<u>923</u>	<u>934,388</u>
Year ended March 31, 2014								
Opening net book amount	19,514	554,542	329,384	11,913	14,648	3,464	923	934,388
Additions	—	37,849	92,542	6,894	8,799	3,104	8,624	157,812
Disposal	—	—	(57)	—	—	(150)	—	(207)
Depreciation	(1,653)	(46,044)	(57,400)	(6,143)	(7,150)	(1,663)	—	(120,053)
Currency translation differences	340	2,826	1,007	58	167	18	(41)	4,375
Closing net book amount	<u>18,201</u>	<u>549,173</u>	<u>365,476</u>	<u>12,722</u>	<u>16,464</u>	<u>4,773</u>	<u>9,506</u>	<u>976,315</u>
At March 31, 2014								
Cost	24,629	784,236	728,239	73,443	53,369	15,864	9,506	1,689,286
Accumulated depreciation	(6,428)	(235,063)	(362,763)	(60,721)	(36,905)	(11,091)	—	(712,971)
Net book amount	<u>18,201</u>	<u>549,173</u>	<u>365,476</u>	<u>12,722</u>	<u>16,464</u>	<u>4,773</u>	<u>9,506</u>	<u>976,315</u>
Year ended March 31, 2015								
Opening net book amount	18,201	549,173	365,476	12,722	16,464	4,773	9,506	976,315
Additions	—	16,471	23,665	2,385	8,596	2,207	167,392	220,716
Disposal	—	—	(79)	—	(27)	—	—	(106)
Transfer-in/(out)	—	11,590	—	—	—	—	(11,590)	—
Depreciation	(1,644)	(47,157)	(63,025)	(5,228)	(7,523)	(1,891)	—	(126,468)
Currency translation differences	(125)	(1,495)	(1,207)	(61)	(107)	(24)	(16)	(3,035)
Closing net book amount	<u>16,432</u>	<u>528,582</u>	<u>324,830</u>	<u>9,818</u>	<u>17,403</u>	<u>5,065</u>	<u>165,292</u>	<u>1,067,422</u>
At March 31, 2015								
Cost	24,442	809,833	749,561	75,477	61,637	18,020	165,292	1,904,262
Accumulated depreciation	(8,010)	(281,251)	(424,731)	(65,659)	(44,234)	(12,955)	—	(836,840)
Net book amount	<u>16,432</u>	<u>528,582</u>	<u>324,830</u>	<u>9,818</u>	<u>17,403</u>	<u>5,065</u>	<u>165,292</u>	<u>1,067,422</u>

Depreciation expense charged in consolidated income statement is as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Cost of sales	87,569	94,129	104,032
General and administrative expenses	25,564	24,172	20,199
Research and development costs	1,701	1,752	2,237
	<u>114,834</u>	<u>120,053</u>	<u>126,468</u>

15 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Opening net book amount	20,761	20,523	20,425
Additions	—	—	98,209
Amortization (Note 9)	(396)	(405)	(403)
Currency translation differences	158	307	(136)
Closing net book amount	<u>20,523</u>	<u>20,425</u>	<u>118,095</u>
At March 31			
Cost	22,736	23,068	121,123
Accumulated amortization	<u>(2,213)</u>	<u>(2,643)</u>	<u>(3,028)</u>
	<u>20,523</u>	<u>20,425</u>	<u>118,095</u>

The leasehold land and land use rights are located outside Hong Kong and are held on leases of between 10 to 50 years.

Amortization of leasehold land and land use rights is included in cost of sales in the consolidated income statement.

16 INTANGIBLE ASSETS

	<u>Computer software</u>
	HK\$'000
At April 1, 2012	
Cost	14,212
Accumulated amortization	<u>(137)</u>
	<u>14,075</u>
Year ended March 31, 2013	
Opening net book amount	14,075
Additions	8,530
Amortization	<u>(1,897)</u>
Closing net book amount	<u>20,708</u>
At March 31, 2013	
Cost	22,742
Accumulated amortization	<u>(2,034)</u>
	<u>20,708</u>
Year ended March 31, 2014	
Opening net book amount	20,708
Additions	9,144
Amortization	<u>(2,963)</u>
Closing net book amount	<u>26,889</u>
At March 31, 2014	
Cost	31,886
Accumulated amortization	<u>(4,997)</u>
	<u>26,889</u>
Year ended March 31, 2015	
Opening net book amount	26,889
Additions	13,884
Amortization	<u>(4,530)</u>
Currency translation differences	<u>(60)</u>
Closing net book amount	<u>36,183</u>
At March 31, 2015	
Cost	45,708
Accumulated amortization	<u>(9,525)</u>
	<u>36,183</u>

Amortization of intangible assets is included in general and administrative expenses in the consolidated income statement.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Listed:			
— Equity securities listed in Hong Kong .	632	—	—
Unlisted:			
— Debt securities	7,246	20,343	4,949
— Investment funds	3,102	2,895	3,885
— Insurance policy investments	59,640	67,987	85,508
	<u>70,620</u>	<u>91,225</u>	<u>94,342</u>

Movement of the available-for-sale financial assets is as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	75,252	70,620	91,225
Additions	11,208	19,161	15,833
Disposals	(16,196)	(632)	(15,465)
Fair value gain recognized to other comprehensive income	588	2,076	2,749
Impairment loss recognized in profit or loss	(232)	—	—
End of the year	<u>70,620</u>	<u>91,225</u>	<u>94,342</u>
Less: non-current portion	<u>(70,620)</u>	<u>(75,760)</u>	<u>(89,393)</u>
Current portion	<u>—</u>	<u>15,465</u>	<u>4,949</u>

The fair value of the listed equity securities was based on their current bid price in an active market. The fair values of unlisted debt securities and investment funds were determined by reference to the banks' quote or input from reputable financial institutions. The carrying amounts of the unlisted insurance policy investments represented the account value of the insurance policy which approximates their fair values.

Due to a significant decline in fair values of available-for-sale financial assets below their costs, an impairment loss of approximately HK\$232,000 was recognized in profit or loss for the year ended March 31, 2013.

Available-for-sale financial assets are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
United States Dollar	54,093	57,958	68,588
Hong Kong Dollar	16,527	20,129	25,754
Renminbi	—	13,138	—
	<u>70,620</u>	<u>91,225</u>	<u>94,342</u>

As at March 31, 2013, 2014 and 2015, debt securities of approximately HK\$7,246,000, HK\$20,343,000 and HK\$4,949,000, respectively, investment funds of approximately HK\$3,102,000, HK\$2,895,000 and HK\$3,885,000 respectively, and insurance policy investments of approximately HK\$42,062,000, HK\$43,231,000 and HK\$44,424,000, respectively, were secured for bank borrowings (Note 26).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Equity securities listed in Hong Kong . . .	<u>80,400</u>	<u>24,145</u>	<u>—</u>

Financial assets at fair value through profit or loss are presented within operating activities as part of changes in working capital in the consolidated cash flow statement (Note 32).

Fair value gain or loss on financial assets at fair value through profit or loss was included in other gains, net (Note 7).

At March 31, 2013 and 2014, equity securities of HK\$80,400,000 and HK\$24,145,000, respectively were secured for bank borrowings (Note 26).

The fair values of the listed securities were based on their current bid price in an active market and were denominated in Hong Kong dollars.

19 INVENTORIES

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Raw materials	229,153	231,691	254,495
Work-in-progress	234,268	263,991	293,607
Finished goods	<u>90,707</u>	<u>62,195</u>	<u>25,613</u>
	<u>554,128</u>	<u>557,877</u>	<u>573,715</u>

The cost of raw materials recognized as expense and included in cost of sales amounted to approximately HK\$1,220,723,000, HK\$1,618,194,000 and HK\$1,687,928,000 for the years ended March 31, 2013, 2014 and 2015, respectively.

20 TRADE AND BILLS RECEIVABLES

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Trade and bills receivables	<u>273,291</u>	<u>471,501</u>	<u>430,716</u>

The carrying amounts of trade and bills receivables approximate their fair values.

- (a) Other than the amount due from Le Ying Trading (Hong Kong) Limited of HK\$41,000,000 and HK\$71,000,000 as at March 31, 2013 and 2014, respectively, which are repayable on demand, the credit period granted by the Group is generally 30 to 120 days.

Trade and bills receivables, based on due date, were aged as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current	<u>177,228</u>	<u>347,591</u>	<u>328,783</u>
1 – 30 days	59,851	58,789	79,274
31 – 60 days	19,568	26,270	6,325
61 – 90 days	4,591	11,628	8,545
Over 90 days	<u>12,053</u>	<u>27,223</u>	<u>7,789</u>
Amounts past due but not impaired	<u>96,063</u>	<u>123,910</u>	<u>101,933</u>
	<u>273,291</u>	<u>471,501</u>	<u>430,716</u>

Amounts past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

The Group does not hold any collateral as security.

- (b) As at March 31, 2013, 2014 and 2015, no trade and bills receivables were considered impaired and had been provided for.

- (c) The carrying amounts of trade and bills receivables are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
United States Dollar	177,466	341,704	383,260
Hong Kong Dollar	66,440	91,539	32,527
Renminbi	29,033	38,028	14,928
Euro	352	230	1
	<u>273,291</u>	<u>471,501</u>	<u>430,716</u>

- (d) As at March 31, 2013, 2014 and 2015, included in Group's trade and bills receivables were amounts due from related parties of approximately HK\$57,261,000, HK\$95,636,000 and HK\$20,256,000, respectively (Note 34(c)).

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Non-current portion			
Rental deposits	3,932	1,013	3,419
Prepayments for purchase of property, plant and equipment and intangible asset	4,086	—	6,787
Prepayments for purchase of land use rights	—	2,165	4,013
	<u>8,018</u>	<u>3,178</u>	<u>14,219</u>
Current portion			
Rental, utilities and other deposits	1,395	4,248	2,249
Deferred listing expenses	365	650	2,545
Value-added tax recoverable	5,785	9,877	8,832
Other prepayments	1,658	3,638	6,111
Other receivables	1,536	2,064	725
	<u>10,739</u>	<u>20,477</u>	<u>20,462</u>
Total deposits, prepayments and other receivables	<u>18,757</u>	<u>23,655</u>	<u>34,681</u>

The deferred listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Group.

The carrying amounts of deposits and other receivables approximate their fair values.

Deposits, prepayments and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

The carrying amounts of the deposits and other receivables are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	3,939	4,270	3,336
Renminbi	2,924	3,055	2,689
Vietnamese Dong	—	—	368
	<u>6,863</u>	<u>7,325</u>	<u>6,393</u>

22 AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder is unsecured, interest-free and repayable on demand. The amount is denominated in Hong Kong dollars.

The carrying amount of amount due from a shareholder approximates its fair value.

The amount due from a shareholder is not impaired.

Amount due from a shareholder outstanding was summarized as follows:

	At the end of year	At the beginning of year	Maximum outstanding during the year
	HK\$'000	HK\$'000	HK\$'000
2013			
Mr. Hung Yau Lit	<u>384,847</u>	<u>237,227</u>	<u>438,847</u>
2014			
Mr. Hung Yau Lit	<u>444,012</u>	<u>384,847</u>	<u>507,012</u>
2015			
Mr. Hung Yau Lit	<u>500,740</u>	<u>444,012</u>	<u>730,740</u>

The amount due from a shareholder was settled through offsetting against the dividends declared on March 31, 2013, March 31, 2014 and March 31, 2015 to Mr. Hung Yau Lit, the director and the sole shareholder of the Company (Note 31).

23 CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	142,767	217,696	254,729
Short-term bank deposits (Note (i))	60,676	61,697	12,495
	<u>203,443</u>	<u>279,393</u>	<u>267,224</u>

Cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Renminbi (Note (ii))	92,740	110,586	86,611
Hong Kong Dollar	65,562	121,937	127,986
United States Dollar	44,764	46,317	49,662
Vietnamese Dong (Note (ii))	—	—	2,552
Euro	377	543	408
Others	—	10	5
	<u>203,443</u>	<u>279,393</u>	<u>267,224</u>

Note:

- (i) As at March 31, 2013, 2014 and 2015, the effective interest rate per annum on short-term bank deposits was 3.3%, 3.0% and 3.3%, respectively; short-term bank deposits have maturities at inception ranging from over 3 months to 1 year.
- (ii) Cash and cash equivalents and short-term bank deposits of HK\$92,521,000, HK\$110,549,000 and HK\$77,858,000 are held in Mainland China as at March 31, 2013, 2014 and 2015, respectively. Cash and cash equivalents and short-term bank deposits of HK\$2,552,000 are held in Vietnam as at March 31, 2015. They are subject to local exchange control regulations. Those local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

24 SHARE CAPITAL – GROUP AND COMPANY

	2013		2014		2015	
	No. of shares	HK\$'000	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorized:						
Ordinary shares at US\$1 each						
At beginning and end of the year .	<u>50,000</u>	<u>389</u>	<u>50,000</u>	<u>389</u>	<u>50,000</u>	<u>389</u>
Issued and fully paid:						
Ordinary shares at US\$1 each						
At beginning and end of the year .	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

Pursuant to the written resolutions passed by the shareholders on September 11, 2015, the Company sub-divided all its issued and unissued shares with par value of US\$1.00 each into 100 shares of US\$0.01 each. Accordingly, the number of issued ordinary shares increased from 100 shares to 10,000 shares. In addition, the Company increased its authorized share capital from US\$50,000 to US\$500,000,000 by the creation of an additional 49,995,000,000 shares.

Pursuant to the written resolutions passed by the shareholders on September 11, 2015, conditional upon listing and subject to the share premium account of the Company having sufficient balance or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the global offering in relation to the listing, the Company would capitalize an amount of US\$8,849,900 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 884,990,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company.

25 RESERVES

	Statutory surplus reserve (Note)	Available- for-sale financial assets reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2012 . .	12,525	(570)	56,850	764,406	833,211
Profit for the year . . .	—	—	—	128,094	128,094
Currency translation differences	—	—	6,350	—	6,350
Fair value gain on available-for-sale financial assets	—	588	—	—	588
Transfer to statutory reserve	1,035	—	—	(1,035)	—
Dividend (Note 31) . .	—	—	—	(54,000)	(54,000)
As at March 31, 2013	<u>13,560</u>	<u>18</u>	<u>63,200</u>	<u>837,465</u>	<u>914,243</u>

	Statutory surplus reserve (Note)	Available- for-sale financial assets reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2013 . .	13,560	18	63,200	837,465	914,243
Profit for the year . . .	—	—	—	166,911	166,911
Currency translation differences	—	—	7,147	—	7,147
Fair value gain on available-for-sale financial assets	—	2,076	—	—	2,076
Transfer to statutory reserve	4,187	—	—	(4,187)	—
Dividend (Note 31) . .	—	—	—	(63,000)	(63,000)
As at March 31, 2014	<u>17,747</u>	<u>2,094</u>	<u>70,347</u>	<u>937,189</u>	<u>1,027,377</u>
As at April 1, 2014 . .	17,747	2,094	70,347	937,189	1,027,377
Profit for the year . . .	—	—	—	337,806	337,806
Currency translation differences	—	—	(5,824)	—	(5,824)
Fair value gain on available-for-sale financial assets	—	2,749	—	—	2,749
Reclassification adjustment upon disposal of available-for-sale financial assets	—	(825)	—	—	(825)
Transfer to statutory reserve	5,771	—	—	(5,771)	—
Dividend (Note 31) . .	—	—	—	(230,000)	(230,000)
As at March 31, 2015	<u>23,518</u>	<u>4,018</u>	<u>64,523</u>	<u>1,039,224</u>	<u>1,131,283</u>

Note:

Statutory surplus reserve

The balance mainly represents statutory surplus reserve. In accordance with articles of association of certain subsidiaries incorporated in the PRC, the subsidiary is required to transfer 10% of the profit after taxation prepared in accordance with PRC accounting standards to the statutory reserve until the balance reaches 50% of the registered share capital. Such reserve can be used to reduce any losses incurred and to increase share capital.

26 BORROWINGS

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Bank borrowings			
Non-current	322,079	363,745	555,289
Current	790,847	803,657	685,013
	<u>1,112,926</u>	<u>1,167,402</u>	<u>1,240,302</u>

Borrowings are analyzed as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
<i>Non-current</i>			
Portion of term loans due for repayment			
between 1 and 2 years – secured	197,596	152,565	341,845
Portion of term loans due for repayment			
between 2 and 5 years – secured	124,483	211,180	213,444
	<u>322,079</u>	<u>363,745</u>	<u>555,289</u>
<i>Current</i>			
Portion of term loans due for repayment			
within 1 year – secured	229,410	220,823	195,409
Short-term bank loans – secured	257,900	247,483	199,862
Short-term bank loans – unsecured	303,537	335,351	289,742
	<u>790,847</u>	<u>803,657</u>	<u>685,013</u>
Total bank borrowings	<u>1,112,926</u>	<u>1,167,402</u>	<u>1,240,302</u>

At March 31, 2013, 2014 and 2015, bank borrowings are secured by (i) debt securities of approximately HK\$7,246,000, HK\$20,343,000 and HK\$4,949,000, respectively; (ii) investment funds of approximately HK\$3,102,000, HK\$2,895,000 and HK\$3,885,000, respectively; (iii) insurance policy investments of approximately HK\$42,062,000, HK\$43,231,000 and HK\$44,424,000, respectively; (iv) equity securities of approximately HK\$80,400,000, HK\$24,145,000 and nil, respectively; (v) personal guarantees provided by Mr. Hung Yau Lit, a director and shareholder of the Company; (vi) corporate guarantees provided by related companies; and (vii) properties held by a related company with an aggregate amount of approximately HK\$325,700,000, HK\$228,000,000 and HK\$248,000,000, respectively.

The personal guarantees provided by Mr. Hung Yau Lit, corporate guarantees provided by related companies and the pledge of properties held by a related company were released upon listing.

As at March 31, 2013, 2014 and 2015, total undrawn bank facilities amounted to approximately HK\$888,719,000, HK\$977,216,000 and HK\$1,770,008,000, respectively.

The carrying amounts of bank borrowings are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	772,898	766,111	908,713
United States Dollar	338,725	400,809	331,589
Euro	1,303	482	—
	<u>1,112,926</u>	<u>1,167,402</u>	<u>1,240,302</u>

As at March 31, 2013, 2014 and 2015, the Group's borrowings bore floating rates and the effective interest rates per annum of bank borrowings were 3.1%, 2.8% and 2.8% respectively.

27 DERIVATIVE FINANCIAL INSTRUMENTS

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
<i>Assets</i>			
Foreign exchange forward contracts	1,916	606	1
Interest rate swap contracts	—	5,078	1,340
	<u>1,916</u>	<u>5,684</u>	<u>1,341</u>
<i>Liabilities</i>			
Foreign exchange forward contracts	7,803	98,073	90,832
Interest rate swap contracts	22,604	14,123	7,633
	<u>30,407</u>	<u>112,196</u>	<u>98,465</u>

The derivative financial instruments mainly consist of the following contracts:

	As at March 31,		
	2013	2014	2015
<i>Foreign exchange forward contracts in respect of RMB against USD</i>			
— Notional principal amounts	US\$14,000,000	US\$63,000,000	US\$34,500,000
— Maturities as at year end	Range from 4 months to 13 months, subject to certain conditions	Range from 1 month to 24 months, subject to certain conditions	Range from 7 months to 19 months, subject to certain conditions
<i>Interest rate swap contracts in respect of fixed interest rate and floating interest rate of HIBOR</i>			
— Notional principal amounts	HK\$400,000,000	HK\$520,000,000	HK\$520,000,000
— Maturities as at year end	35 months	Range from 13 months to 23 months	Range from 1 month to 11 months

Derivative financial instruments are carried at fair values.

Net fair value loss of foreign exchange forward contracts and interest rate swap contracts amounting to approximately HK\$1,911,000, HK\$84,872,000 and HK\$12,243,000 was recognized in the consolidated income statement for the years ended March 31, 2013, 2014 and 2015, respectively (Note 8).

Net gain on settlement of foreign exchange forward contracts and interest rate swap contracts amounting to approximately HK\$3,975,000, HK\$3,967,000 and HK\$5,254,000 was recognized in the consolidated income statement for the years ended March 31, 2013, 2014 and 2015, respectively (Note 8).

28 DEFERRED INCOME TAX

The movement on the deferred income tax liabilities is as follows:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	(8,675)	(10,453)	(4,122)
(Charged)/credited to the consolidated income statement (Note 12)	<u>(1,778)</u>	<u>6,331</u>	<u>567</u>
At end of year	<u><u>(10,453)</u></u>	<u><u>(4,122)</u></u>	<u><u>(3,555)</u></u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	1,145	—	597
Deferred tax liabilities	<u>(11,598)</u>	<u>(4,122)</u>	<u>(4,152)</u>
	<u><u>(10,453)</u></u>	<u><u>(4,122)</u></u>	<u><u>(3,555)</u></u>

Deferred income tax assets and liabilities are to be settled after more than 12 months.

The movements in gross deferred income tax assets and liabilities during the years without taking into consideration of the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation
	HK\$'000
As at April 1, 2012	26,376
Credited to consolidated income statement	<u>(726)</u>
As at March 31, 2013	<u>25,650</u>
As at April 1, 2013	25,650
Credited to consolidated income statement	<u>(1,403)</u>
As at March 31, 2014	<u>24,247</u>
As at April 1, 2014	24,247
Credited to consolidated income statement	<u>(4,666)</u>
As at March 31, 2015	<u>19,581</u>

Deferred income tax assets:

	Net fair value losses on derivative financial instruments	Net fair value losses on financial assets at fair value through profit or loss	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2012	5,270	11,911	520	17,701
Charged to consolidated income statement	<u>(569)</u>	<u>(1,415)</u>	<u>(520)</u>	<u>(2,504)</u>
As at March 31, 2013	<u>4,701</u>	<u>10,496</u>	<u>—</u>	<u>15,197</u>
As at April 1, 2013	4,701	10,496	—	15,197
Credited/(charged) to consolidated income statement	<u>12,873</u>	<u>(7,945)</u>	<u>—</u>	<u>4,928</u>
As at March 31, 2014	<u>17,574</u>	<u>2,551</u>	<u>—</u>	<u>20,125</u>
As at April 1, 2014	17,574	2,551	—	20,125
Charged to consolidated income statement	<u>(1,548)</u>	<u>(2,551)</u>	<u>—</u>	<u>(4,099)</u>
As at March 31, 2015	<u>16,026</u>	<u>—</u>	<u>—</u>	<u>16,026</u>

As at March 31, 2013, 2014 and 2015, the Group does not have any material unrecognized deferred tax assets in respect of tax losses.

As at March 31, 2013, 2014 and 2015, deferred income tax liabilities of approximately HK\$2,387,000, HK\$4,434,000 and HK\$7,273,000, respectively, have not been established for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in the PRC of approximately HK\$47,741,000, HK\$88,677,000 and HK\$145,463,000, respectively, as the director considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

29 TRADE PAYABLES

Trade payables, based on invoice date, were aged as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	112,679	190,654	141,538
31 – 60 days	81,267	62,144	112,439
61 – 90 days	68,710	46,628	92,711
Over 90 days	8,530	11,548	9,900
	<u>271,186</u>	<u>310,974</u>	<u>356,588</u>

The carrying amounts of trade payables are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	129,599	134,467	105,926
United States Dollar	119,559	164,145	176,686
Renminbi	20,386	11,133	71,182
Euro	1,613	1,229	2,629
Others	29	—	165
	<u>271,186</u>	<u>310,974</u>	<u>356,588</u>

The carrying amounts of trade payables approximate their fair values.

30 ACCRUALS AND OTHER PAYABLES

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Accruals for wages, salaries, staff welfare and other related costs	95,554	130,399	126,901
Payable for factory rent	7,444	10,109	14,653
Payable for utilities	4,481	5,401	7,947
Payable for purchase of property, plant and equipment, intangible assets and consumables	4,780	21,051	75,274
Other payables	17,556	19,073	16,986
	<u>129,815</u>	<u>186,033</u>	<u>241,761</u>

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	18,203	20,322	17,570
Renminbi	109,384	164,142	164,494
United States Dollar	2,228	1,569	1,391
Vietnamese Dong	—	—	58,306
	<u>129,815</u>	<u>186,033</u>	<u>241,761</u>

The carrying amounts of other payables approximate their fair values.

31 DIVIDEND

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Interim dividend	54,000	63,000	230,000

During the years ended March 31, 2013, 2014 and 2015, interim dividends of HK\$540,000, HK\$630,000 and HK\$2,300,000 per ordinary share were declared on March 31, 2013, March 31, 2014 and March 31, 2015, respectively and were offset against the amount due from a shareholder (Note 22).

Pursuant to the written resolutions passed by the shareholders on September 11, 2015, conditional on (i) the listing committee granting the listing of, and permission to deal in, the shares in issue, shares to be issued pursuant to the capitalization issue and the shares to be issued as mentioned in this prospectus (including any shares which may be issued pursuant to the exercise of the over-allotment option or the options which may be granted under the share option scheme), (ii) the offer price being fixed on the price determination date and (iii) the

obligations of the underwriters under the underwriting agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as maybe specified in the underwriting agreements, special dividends of HK\$680,000,000 will be declared and settled against outstanding amount due from a shareholder using the distributable reserves of the Company prior to the listing.

32 Cash generated from operations

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	152,825	199,762	420,181
Adjustments for:			
Amortization of leasehold land and land use rights	396	405	403
Amortization of intangible assets	1,897	2,963	4,530
Depreciation of property, plant and equipment	114,834	120,053	126,468
Loss on disposal of property, plant and equipment	18	57	76
Gain on disposal of available-for-sale financial assets	(2,167)	(540)	—
(Gains)/losses on derivative financial instruments	(18,408)	49,516	(3,156)
Loss/(gain) on financial assets at fair value through profit or loss	509	(5,475)	(910)
Impairment loss on available-for-sale financial assets	232	—	—
Finance income	(56)	(2,242)	(1,423)
Finance costs	48,917	53,958	52,119
	298,997	418,457	598,288
Changes in working capital:			
Inventories	(75,552)	(372)	(18,577)
Trade and bills receivables	(72,372)	(197,582)	40,456
Deposits, prepayments and other receivables	(962)	(6,684)	(2,492)
Trade payables	15,704	39,788	45,614
Accruals and other payables	20,141	53,860	57,149
Financial assets at fair value through profit or loss	18,567	61,730	25,055
Cash generated from operations	<u>204,523</u>	<u>369,197</u>	<u>745,493</u>

- (b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Net book amount	95	207	106
Loss on disposal of property, plant and equipment	(18)	(57)	(76)
Proceeds from disposal of property, plant and equipment	<u>77</u>	<u>150</u>	<u>30</u>

- (c) *Significant non-cash transaction*

During the years ended March 31, 2013, 2014 and 2015, dividends of HK\$54,000,000, HK\$63,000,000 and HK\$230,000,000 were declared and offset against amount due from a shareholder (Note 22).

33 COMMITMENTS

- (a) *Capital commitments*

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for			
Property, plant and equipment	10,719	23,636	82,853
Leasehold land and land use rights	<u>—</u>	<u>17,754</u>	<u>35,469</u>

- (b) *Operating lease commitments*

At March 31, 2013, 2014 and 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases of land and buildings as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Not later than one year	39,218	51,775	79,088
Later than one year and not later than five years	62,145	82,069	143,827
Later than five years	<u>38,976</u>	<u>27,415</u>	<u>14,691</u>
	<u>140,339</u>	<u>161,259</u>	<u>237,606</u>

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group is controlled by Mr. Hung Yau Lit, who owns 100% of the Company's shares, who is also a common controlling shareholder and director of the following related companies.

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Le Ying Trading (Hong Kong) Limited	Common controlling shareholder and director
Le Ying Apparel (Shenzhen) Limited	Common controlling shareholder and director
Le Ying Apparel (Beijing) Limited	Common controlling shareholder and director
Shun Cheong Shoulder Pad Factory Limited . .	Common controlling shareholder and director
Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited	Common controlling shareholder and director

(a) In addition to those disclosed elsewhere in the Financial Information, the Group has the following transactions with related parties:

(i) Continuing

	<u>Year ended March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Sales of goods to related parties			
— Le Ying Trading (Hong Kong) Limited (Note (i))	52,932	39,147	39,427
— Le Ying Apparel (Shenzhen) Limited (Note (i))	<u>4,499</u>	<u>3,880</u>	<u>4,286</u>

(ii) Discontinued

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Sales of goods to a related party			
— Le Ying Apparel (Beijing) Limited (Note (i))	1,451	4,219	1,205
Interest expense paid to a related party			
— Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited (Note (c)(ii))	—	2,081	951
Purchase from a related party			
— Le Ying Trading (Hong Kong) Limited (Note (i))	—	2,500	—
Rental expense paid to a related party			
— Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited (Note (ii))	3,845	1,963	—
Utilities expense paid to a related party			
— Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited (Note (ii))	6,770	7,840	7,019

Notes:

- (i) The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and the related parties.
- (ii) The rental expense and utilities expense was determined based on terms mutually agreed between parties involved.

(b) Key management compensation

	Year ended March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Wages, salaries, bonus and allowances . . .	22,333	23,492	26,666
Retirement benefits costs – defined contribution scheme	221	243	323
	<u>22,554</u>	<u>23,735</u>	<u>26,989</u>

(c) *Year-end balances with related parties*

	As at March 31,		
	2013	2014	2015
Name of related parties	HK\$'000	HK\$'000	HK\$'000
Trade receivables:			
— Le Ying Trading (Hong Kong) Limited (Note (i))	50,682	80,956	20,204
— Le Ying Apparel (Shenzhen) Limited (Note (i))	4,846	8,015	52
— Le Ying Apparel (Beijing) Limited (Note (i))	1,733	6,665	—
	<u>57,261</u>	<u>95,636</u>	<u>20,256</u>
Amount due to a related party:			
— Red Star Shun Cheong Shoulder Pad Factory (Shenzhen) Limited (Note (ii))	60,676	61,696	—

Note:

- (i) Included in these balances were HK\$41,000,000 and HK\$71,000,000 due from Le Ying Trading (Hong Kong) Limited as at March 31, 2013 and 2014, respectively, which were unsecured, interest-free and repayable on demand. Such balance was fully settled during the year ended March 31, 2015. The remaining trade receivables due from related parties are unsecured, interest-free and with credit terms of 120 days.
- (ii) The balance was denominated in RMB, unsecured, repayable on demand and interest-bearing at 3.30%, 3.08% and 3.08% per annum during the years ended March 31, 2013, 2014 and 2015, respectively. The terms were mutually agreed between parties involved. The carrying amount approximates its fair value. The balance was fully settled during the year ended March 31, 2015.

- (d) The Group has provided corporate guarantees to secure bank borrowings and overdrafts of a related company at no consideration. Details of the bank borrowings and overdraft balances of the related companies drawn under the guarantees are as follows:

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Shun Cheong Shoulder Pad Factory Limited	1,560	130	—

The guarantees will be released upon listing.

35 NOTES TO THE BALANCE SHEETS OF THE COMPANY

(a) Interest in a subsidiary

	As at March 31,		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Investment in unlisted shares, at cost	510,724	510,724	510,724

(b) Amount due from a subsidiary

Amount due from a subsidiary is unsecured, interest-free and repayable on demand. The balance is denominated in Hong Kong dollars.

The carrying amount of amount due from a subsidiary approximates its fair value.

The amount due from a subsidiary is not impaired.

(c) Amount due to a shareholder

Amount due to a shareholder is unsecured, interest-free and repayable on demand. The balance is denominated in Hong Kong dollars.

The carrying amount of amount due to a shareholder approximates its fair value.

(d) Reserve movement of the Company

	Contributed surplus (Note)	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000
As at April 1, 2012	510,725	2,967	513,692
Profit for the year	—	54,465	54,465
Dividend (Note 31)	—	(54,000)	(54,000)
As at March 31, 2013	510,725	3,432	514,157
Profit for the year	—	62,976	62,976
Dividend (Note 31)	—	(63,000)	(63,000)
As at March 31, 2014	510,725	3,408	514,133
Profit for the year	—	229,956	229,956
Dividend (Note 31)	(100,000)	(130,000)	(230,000)
As at March 31, 2015	410,725	103,364	514,089

Note:

Contributed surplus of the Company represents the difference between the cost of investment in the subsidiary acquired pursuant to the group reorganization on June 30, 2011 over the nominal value of the share capital of the Company issued in exchange thereof.

36 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this report (Notes 13, 24 and 31), the following significant events took place subsequent to March 31, 2015:

- (a) On August 1, 2015, insurance policy investments of the Group, which were recognized as available-for-sale financial assets, with carrying values of approximately HK\$19,297,000 and HK\$25,526,000 as at July 31, 2015 were assigned to Mr. Hung Yau Lit and Regent Marvel International Limited, a related company, respectively. The transfer prices were same as the carrying values as at August 1, 2015 and were mutually agreed between parties involved.
- (b) Subsequent to March 31, 2015, the controlling shareholder, Mr. Hung Yau Lit, agreed and confirmed to indemnify the Group for any losses that the Group may suffer from settlements of foregoing outstanding foreign exchange forward contracts with the banks on or after April 1, 2015 in excess of the amount of HK\$90,800,000.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to March 31, 2015 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to March 31, 2015.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I.

A. Unaudited Pro Forma Adjusted Net Tangible Assets

The following unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering and the Capitalization Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2015 as if the Global Offering and the Capitalization Issue had taken place on that date.

The unaudited pro forma adjusted net tangible assets have 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 Capitalization Issue been completed as at March 31, 2015 or at any future dates. It is prepared based on the consolidated net assets of the Group as at March 31, 2015 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2015 ⁽¹⁾	Special dividends declared ⁽²⁾	Estimated net proceeds from the Global Offering ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per share ⁽⁴⁾
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	HK\$
Based on an Offer Price of HK\$5.38 per share	1,095,101	(680,000)	1,476,072	1,891,173	1.60
Based on an Offer Price of HK\$6.38 per share	1,095,101	(680,000)	1,758,655	2,173,756	1.84

Notes

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2015 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at March 31, 2015 of HK\$1,131,284,000 with an adjustment for the intangible assets of HK\$36,183,000.
- (2) Pursuant to the written resolutions passed by the Shareholders on September 11, 2015, conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as maybe specified in the Underwriting Agreements, special dividends of HK\$680,000,000 will be declared and settled against outstanding amount due from a shareholder using the distributable reserves of the Company prior to Listing.

- (3) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$5.38 and HK\$6.38 per Share, respectively, after deduction of the underwriting fees and other related expenses borne by the Company subsequent to March 31, 2015 and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the Repurchase Mandate.
- (4) The unaudited pro forma net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,180,000,000 shares were in issue assuming that the Global Offering and the Capitalization Issue has been completed on March 31, 2015 but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the Repurchase Mandate.
- (5) Other than the dividends to be declared upon Listing as referred to in note (2) above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2015.

B. Report from Reporting Accountant on the 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 INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF REGINA MIRACLE INTERNATIONAL (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Regina Miracle International (Holdings) 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 March 31, 2015, 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 September 24, 2015, 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 March 31, 2015 as if the proposed initial public offering had taken place at March 31, 2015. 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 year ended March 31, 2015, 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**”).

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 complies with ethical requirements and 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 March 31, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting 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.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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, September 24, 2015

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES LAW

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

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 September 21, 2010 under the Cayman Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on September 11, 2015 with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN COMPANIES LAW**

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any

company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the

Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) 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. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate 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.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so canceled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders

present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the articles (see paragraph 2(i) below for further details).

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 authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize 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 authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts

and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized 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 summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized 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 authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up

on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment 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.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members

of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN COMPANIES LAW**

Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized 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 cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary

or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize 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 authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 12, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save 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 will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing 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. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on September 21, 2010. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 10th Floor, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 17, 2015. Mr. Yiu Kar Chun Antony and Mr. Law Kwan Chuen have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000, divided into 50,000 shares of US\$1.00 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On September 21, 2010, one Share of US\$1.00 was allotted and issued to Offshore Incorporations (Cayman) Limited and such Share was subsequently transferred to Mr. Hung for a consideration of US\$1.00 on the same day;
- On June 30, 2011, 99 Shares of US\$1.00 each were allotted and issued to Mr. Hung for a consideration of US\$65,730,386;
- On June 3, 2015, Mr. Hung transferred 80 Shares of US\$1.00 each to Regent Marvel at a consideration of US\$80; and
- On September 11, 2015, our Company sub-divided all its issued and unissued shares with par value of US\$1.00 each into 100 Shares of US\$0.01 each. On the same date, our Company increased its authorized share capital to US\$500,000,000 divided into 50,000,000,000 Shares with a par value of US\$0.01 each by the creation of an additional 49,995,000,000 Shares.

Immediately following the completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$11,800,000, divided into 1,180,000,000 Shares, all fully paid or credited as fully paid and 48,820,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the sub-section headed “3. Resolutions in writing of our Shareholders passed on September 11, 2015” below in this Appendix, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in writing of our Shareholders passed on September 11, 2015

Pursuant to the written resolutions passed by our Shareholders on September 11, 2015:

- (a) we approved and adopted the Memorandum with immediate effect and the Articles of Association which will become effective upon Listing Date;
- (b) we subdivided each existing issued and unissued share of par value US\$1.00 in the capital of the Company into 100 new ordinary shares of US\$0.01 each;
- (c) the authorized share capital of our Company was increased from US\$50,000 to US\$500,000,000 by the creation of an additional 49,995,000,000 Shares;
- (d) conditional on (1) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering and the Over-allotment Option;
 - (ii) the granting of the Over-allotment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed “D. Other Information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to exercise of the options granted under the Share Option Scheme;
 - (iv) the proposed Listing was approved and the Directors were authorized to implement the Listing; and
 - (v) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 884,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional (or as they may direct) in proportion to their respective shareholdings (as nearly as possible without fractions) by way of

capitalization of the sum of US\$8,849,900 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;

- (e) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (iii) the exercise of options granted pursuant to the Share Option Scheme, (iv) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (v) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (f) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);
- (f) a general unconditional mandate was granted to the Directors 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 recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the Applicable Period;

- (g) the general unconditional mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (h) the declaration and settlement of special dividend (as referred to in the section headed "Financial Information — Analysis of selected consolidated balance sheet items — Amount due from a shareholder" in this prospectus, for the purpose of settling all outstanding amounts due from Mr. Hung using distributable reserves of our Company prior to Listing, was approved.

4. Our Corporate Reorganization

The companies comprising the Group did not undergo a reorganization in preparation for the Listing.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Note 1(b) of section II of Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- On June 8, 2013, the registered capital of RMIA Shenzhen was increased from HK\$193,000,000 to HK\$243,000,000, which was injected by way of cash in the sum of HK\$50,000,000; and
- On November 13, 2013, the registered capital of RMIA Shenzhen was increased from HK\$243,000,000 to HK\$300,000,000, which was injected by way of cash in the sum of HK\$57,000,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) *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 summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on September 11, 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the 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 (b) 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.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

(b) *Reasons for Repurchases*

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of Repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 1,180,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 118,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-Competition;
- (b) the deed of indemnity dated September 11, 2015 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), in respect of, amongst others, the matters referred to in the paragraph headed “C. Further Information about our Directors and Substantial Shareholders — 5. Indemnity Given by the Controlling Shareholders” in this Appendix;
- (c) a cornerstone investment agreement dated September 17, 2015 entered into among our Company, Tianhai International Holdings Limited and Morgan Stanley Asia Limited, details of which are included in the section headed “Cornerstone Investors” of this prospectus;
- (d) a cornerstone investment agreement dated September 18, 2015 entered into among our Company, L (Overseas) Holdings LP and Morgan Stanley Asia Limited, details of which are included in the section headed “Cornerstone Investors” of this prospectus; and
- (e) the Hong Kong Underwriting Agreement.








2. Material Intellectual Property Rights of the Group



As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	REGINA MIRACLE	25	RMI HK	EU	009758178	August 23, 2011	February 23, 2021
2.	REGINA MIRACLE	25	RMI HK	Hong Kong	301703024	August 31, 2010	August 30, 2020
3.	REGINA MIRACLE	25	RMI HK	Japan	5383324	January 14, 2011	January 14, 2021
4.	REGINA MIRACLE	25	RMI HK	Malaysia	2011003231	August 31, 2010	August 31, 2020
5.	REGINA MIRACLE	25	RMI HK	Philippines	42011500276	August 25, 2011	August 25, 2021

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
6.	REGINA MIRACLE	25	RMI HK	Singapore	T1102114I	February 22, 2011	February 22, 2021
7.	REGINA MIRACLE	25	RMI HK	Taiwan	1463036	July 1, 2011	June 30, 2021
8.	REGINA MIRACLE	25	RMI HK	Thailand	TM342940	September 9, 2010	September 8, 2020
9.	REGINA MIRACLE	25	RMI HK	Vietnam	210700	August 21, 2013	February 21, 2022
10.	REGINA MIRACLE	25	RMIG HK	PRC	8820681	November 21, 2011	November 20, 2021
11.	REGINA MIRACLE	35	RMIG HK	Hong Kong	302291634	June 21, 2012	June 20, 2022
12.	REGINA MIRACLE	35	RMIG HK	Japan	5617411	September 20, 2013	September 20, 2023
13.	REGINA MIRACLE	35	RMIG HK	PRC	11116382	November 28, 2013	November 27, 2023
14.	REGINA MIRACLE	35	RMIG HK	Singapore	T1306269A	April 19, 2013	April 19, 2023
15.	REGINA MIRACLE	35	RMIG HK	Taiwan	1635407	April 1, 2014	March 31, 2024
16.	REGINA MIRACLE	35	RMIG HK	UK	3001789	April 12, 2013	April 12, 2023
17.	 Regina Miracle  Regina Miracle	16	RMIG HK	Hong Kong	303147958	September 25, 2014	September 24, 2024
18.	 Regina Miracle	25 & 26	RMI HK	EU	004973021	July 20, 2007	March 22, 2016
19.	 Regina Miracle	25	RMI HK	Hong Kong	2000B09978	July 24, 1999	July 24, 2016
20.	 Regina Miracle	25	RMI HK	Japan	4991964	September 29, 2006	September 29, 2016
21.	 Regina Miracle  Regina Miracle	25	RMI HK	Malaysia	2010017077	September 9, 2010	September 9, 2020

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
22.	 Regina Miracle	25	RMIG HK	PRC	5251772	July 28, 2009	July 27, 2019
23.	 Regina Miracle	25	RMI HK	Singapore	T10/11265E	September 1, 2010	September 1, 2020
	 Regina Miracle						
24.	 Regina Miracle	25	RMI HK	South Korea	4009487160000	January 14, 2013	January 14, 2023
25.	 Regina Miracle	25	RMI HK	Taiwan	1234711	November 1, 2006	October 31, 2016
26.	 Regina Miracle	25	RMI HK	Thailand	TM261166	April 28, 2006	April 27, 2016
27.	 Regina Miracle	25	RMI HK	Vietnam	94127	January 7, 2008	March 24, 2016
28.	 Regina Miracle	25	RMI HK	Australia	1189166	July 25, 2007	July 25, 2017
29.	維珍妮	25	RMIG HK	Hong Kong	301875592	March 31, 2011	March 30, 2021
30.	維珍妮	35	RMIG HK	Hong Kong	302291661	June 21, 2012	June 20, 2022
31.	维珍妮	35	RMIG HK	PRC	11115685	January 21, 2014	January 20, 2024
32.	  	25	RMIG HK	Hong Kong	302086029	November 15, 2011	November 14, 2021
33.		25	RMIG HK	PRC	10475477	April 7, 2013	April 6, 2023

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.	reginamiracle.com	RMI HK	March 30, 2000	March 30, 2019
2.	reginamiraclefactory.com	RMIG HK	May 6, 2011	May 6, 2016
3.	reginamiraclefactory.com.hk	RMI HK	April 28, 2011	April 29, 2016
4.	reginamiracle.com.vn	RMI HK	May 26, 2015	May 26, 2016
5.	reginamiracleholdings.com	RMI HK	March 19, 2015	March 19, 2020

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Title of Invention	Registered owner	Registration number	Place of registration	Date of filing	Date of expiration
1.	Brassieres	RMI HK	592644	Taiwan	February 15, 2002	February 14, 2022
2.	Breast cup for a bra with visual enhancement	RMI HK	6,796,876	U.S.	January 21, 2003	January 21, 2023
3.	Brassiere with visual enhancement features	RMI HK	6,805,611	U.S.	January 21, 2003	January 21, 2023
4.	Multi panel molded brassiere cup	RMI HK	6,805,612	U.S.	May 28, 2003	May 28, 2023
5.	Brassiere cup with rhinestones detailing and related method of manufacture	RMI HK	6,899,590	U.S.	January 21, 2003	July 4, 2023
6.	Empaistic cup for a brassiere	RMI HK	6,986,697	U.S.	January 21, 2003	February 14, 2023
7.	Molded seamless brassiere incorporating fasteners	RMI HK	7,128,635	U.S.	November 4, 2005	November 4, 2025
8.	Bra	RMI HK	3124719	Japan	June 15, 2006	June 15, 2016
9.	Bra with the lower breast support function	RMIG HK	3126567	Japan	August 16, 2006	August 16, 2016
10.	Brassiere	RMI HK	7,179,150	U.S.	June 8, 2004	January 21, 2023
11.	Brassiere and molded breast cup construction therefor and related method of manufacture	RMI HK	7,166,012	U.S.	June 3, 2004	September 2, 2024
12.	Brassiere	RMI HK	7,192,332	U.S.	June 28, 2005	September 2, 2024
13.	Bra construction	RMI HK	7,198,540	U.S.	December 10, 2003	September 2, 2024
14.	A brassiere	RMI HK	M306044	Taiwan	June 15, 2006	June 14, 2016
15.	Bra	RMI HK	ZL 200620118733.6	PRC	June 15, 2006	June 15, 2016
16.	Bra	RMIG HK	3133255	Japan	April 23, 2007	April 23, 2017
17.	Bra	RMIG HK	3134850	Japan	March 9, 2007	March 9, 2017
18.	Bra	RMIG HK	3135406	Japan	July 3, 2007	July 3, 2017

No.	Title of Invention	Registered owner	Registration number	Place of registration	Date of filing	Date of expiration
19.	Brassiere, seamless brassiere, brassiere cup and brassiere cup assembly	RMIG HK	M326786	Taiwan	July 27, 2006	July 26, 2016
20.	A brassiere	RMI HK	EP 1440626	EU (UK, Germany, France)	March 20, 2003	March 20, 2023
21.	Bra, core panel for a bra, and molded brassiere	RMIG HK	M335950	Taiwan	May 9, 2007	May 8, 2017
22.	Bra cup component, brassieres and bra cup	RMIG HK	ZL 200720169222.1	PRC	June 21, 2007	June 21, 2017
23.	Improvement of bra	RMIG HK	ZL 200720004948.X	PRC	February 27, 2007	February 27, 2017
24.	Brassieres	RMIG HK	ZL 200720169221.7	PRC	June 21, 2007	June 21, 2017
25.	Reversible brassiere	RMIG HK	7,435,156	U.S.	April 23, 2007	April 23, 2027
26.	Brassiere	RMI HK	7,407,427	U.S.	May 19, 2006	August 31, 2026
27.	Molding bra	RMIG HK	ZL 200720142243.4	PRC	April 16, 2007	April 16, 2017
28.	Brassiere	RMIG HK	ZL 200710106791.6	PRC	June 22, 2007	June 22, 2027
29.	Shaped inner steel wire and bra containing the inner steel wire	RMIG HK	ZL 200820110502.X	PRC	May 4, 2008	May 4, 2018
30.	Molded seamless brassiere incorporating fasteners	RMI HK	ZL 200610078560.4	PRC	May 10, 2006	May 10, 2026
31.	Brassiere with under breast support	RMIG HK	7,604,526	U.S.	June 21, 2006	October 3, 2027
32.	Brassiere	RMI HK	7,563,152	U.S.	November 15, 2006	November 12, 2024
33.	Moulded Seamless Brassiere Incorporating Fasteners and Method for manufacture of this Brassiere	RMI HK	791	Vietnam	January 4, 2006	January 4, 2016
34.	Brassiere	RMI HK	EP 1872674	EU (UK, Germany, France)	June 28, 2007	June 28, 2027
35.	Bra cushioned	RMIG HK	3162257	Japan	June 14, 2010	June 14, 2020
36.	Molded cup and component and bra comprising same	RMIG HK	ZL 201020158166.3	PRC	April 9, 2010	April 9, 2020
37.	Improved bras and improved back wings therefor	RMI HK	ZL 201020164100.5	PRC	April 16, 2010	April 16, 2020
38.	Brassiere and method of manufacturing the same	RMI HK	I344344	Taiwan	April 15, 2004	April 14, 2024
39.	Bra supporting structure and bra with same	RMIG HK	ZL 201120050955.X	PRC	February 24, 2011	February 24, 2021

No.	Title of Invention	Registered owner	Registration number	Place of registration	Date of filing	Date of expiration
40.	Bra and inner steel wire thereof	RMIG HK	ZL 201120036274.8	PRC	February 1, 2011	February 1, 2021
41.	Improved support structure for a brassiere	RMIG HK	3173285	Japan	November 15, 2011	November 15, 2021
42.	Cushioning structure for an underwire of a brassiere or the like	RMI HK	8,113,909	U.S.	June 16, 2009	May 12, 2030
43.	Brassieres	RMI HK	8,133,091	U.S.	November 17, 2008	September 8, 2030
44.	Molded breast cup and a brassiere incorporating such a breast cup	RMI HK	8,128,456	U.S.	May 11, 2009	June 3, 2030
45.	Improved support structure for a brassiere	RMIG HK	1153345	Hong Kong	October 27, 2011	October 27, 2019
46.	Shoe object, inner liner used for the same, and shoe object with the inner linear	RMIG HK	ZL 201120318319.0	PRC	August 29, 2011	August 29, 2021
47.	Back wing for brassiere	RMI HK	8,221,188	U.S.	May 19, 2009	July 7, 2030
48.	Brassieres	RMI HK	8,388,406	U.S.	September 2, 2008	November 21, 2031
49.	Cushioned brassiere	RMIG HK	8,419,503	U.S.	June 15, 2009	August 21, 2030
50.	An improved back wing for a brassiere	RMI HK	2470450	U.K.	January 19, 2010	January 19, 2030
51.	Back wing for a brassiere and a method of forming a back wing	RMIG HK	1179462	Hong Kong	August 8, 2012	August 8, 2020
52.	A cushioned underwire for a brassiere, a bra cup comprising a cushioned underwire for a brassiere, and methods of their manufacture	RMIG HK	1179461	Hong Kong	August 7, 2012	August 7, 2020
53.	A breast cup assembly and a brassiere incorporating such a breast cup	RMIG HK	1183591	Hong Kong	November 1, 2012	November 1, 2020
54.	Underwire for a brassiere	RMIG HK	8,668,548	U.S.	March 23, 2011	February 8, 2032
55.	Support structure for a brassiere	RMIG HK	8,747,184	U.S.	April 19, 2011	February 21, 2032
56.	Padded breast cup for a brassiere	RMIG HK	8,827,765	U.S.	August 18, 2010	February 19, 2031
57.	Breast cup assembly and a brassiere incorporating such a breast cup	RMIG HK	8,956,199	U.S.	May 30, 2012	November 3, 2032
58.	Breast cup construction	RMI HK	6,837,772	U.S.	July 18, 2003	July 18, 2023

No.	Title of Invention	Registered owner	Registration number	Place of registration	Date of filing	Date of expiration
59.	Multi-panel molded brassiere cup and related methods of manufacture	RMI HK	6,878,033	U.S.	January 29, 2003	June 24, 2023
60.	Brassieres	RMIG HK	M341419	Taiwan	May 9, 2007	May 8, 2017

As of the Latest Practicable Date, we have filed the following patent applications which are pending, published and material to our business:

No.	Title of Invention	Applicant	Place of application	Application number	Date of filing
1.	Cushioned brassiere	RMIG HK	Filed in the European Patent Office	10165785.6	June 14, 2010
2.	Underwire for a brassiere	RMIG HK	U.S.	13/390,844	November 29, 2011
3.	用於胸罩的鋼圈 (translated as “underwire for a brassiere”)	RMIG HK	PRC	201210499694.9	November 29, 2012
4.	罩杯組件和包含這種罩杯的胸罩 (translated as “breast cup components and brassiere including such components”)	RMIG HK	PRC	201110447577.3	December 23, 2011
5.	罩杯組件和包含這種罩杯的胸罩 (translated as “breast cup components and brassiere including such components”)	RMIG HK	PRC	201210324169.3	September 4, 2012
6.	Breast cup core, breast cup, and method of making same	RMIG HK	Filed in the European Patent Office	13151708.8	January 17, 2013
7.	Breast cup core, breast cup, and method of making same	RMIG HK	Hong Kong	14103362.8	April 8, 2014
8.	Breast cup and method of manufacture	RMIG HK	U.S.	13/853,814	March 29, 2013
9.	罩杯及其製造方法 (translated as “breast cup and method of manufacture”)	RMIG HK	PRC	201310072551.4	March 7, 2013
10.	用於鋼圈的襯墊套及製造該襯墊套的方法 (translated as “cushion for the underwire the and method of manufacture”)	RMIG HK	PRC	201310272002.1	July 1, 2013

No.	Title of Invention	Applicant	Place of application	Application number	Date of filing
11.	Cushioned casing for an underwire and method of manufacturing the cushioned casing	RMIG HK	U.S.	13/948,769	July 23, 2013
12.	Cushioned casing for an underwire and method of manufacturing the cushioned casing	RMIG HK	U.S.	14/059,636	October 22, 2013
13.	將胸罩的固定件襯墊附接至側翼的方法和該胸罩及其組件 (translated as “method of attaching a cushion to a sidewing for a brassiere and method of manufacture”)	RMIG HK	PRC	201310268858.1	June 28, 2013
14.	胸罩、胸罩罩杯及其製造方法 (translated as “brassiere, breast cup and method of manufacture”)	RMIG HK	PRC	201280074243.9	June 28, 2012
15.	用於鋼圈的襯墊套及製造該襯墊套的方法 (translated as “cushion for the underwire the and method of manufacture”)	RMIG HK	PRC	201310430488.7	September 18, 2013
16.	Method of attaching a fastening means pad to a sidewing for a brassiere, a sidewing and fastening means pad for a brassiere, and a brassiere comprising the sidewing and fastening means pad	RMIG HK	U.S.	13/937,523	July 9, 2013
17.	Brassiere cup and method of manufacture	RMIG HK	U.S.	14/100,433	December 9, 2013
18.	Improved support structure for a brassiere	RMIG HK	Filed in European Patent Office	11168786.9	June 6, 2011

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares, so far as the Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

<u>Name of Director/Chief Executive</u>	<u>Capacity/nature of interest</u>	<u>Number of underlying shares⁽¹⁾</u>	<u>Approximate percentage of shareholding interest immediately following the completion of the Capitalization Issue and the Global Offering</u>
Mr. Hung ⁽²⁾	Beneficial Interest; interest in controlled corporation	885,000,000	75%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).
- (2) Mr. Hung beneficially owns the entire share capital of Regent Marvel, which in turn owns 60% of the issued share capital of the Company. By virtue of the SFO, Mr. Hung is deemed to be interested in 708,000,000 Shares held by Regent Marvel. Mr. Hung also directly owns 177,000,000 Shares, which is 15% of the issued share capital of the Company.
- (3) All interests stated are long positions.

(b) *Interests of the Substantial Shareholders*

Saved as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly,

interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on September 11, 2015, and we have issued letters of appointment to each of our independent non-executive Directors. The service agreements with each of our executive Directors are for an initial fixed term of three years commencing from September 11, 2015. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from September 11, 2015. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the Directors for the years ended March 31, 2013, 2014 and 2015 were approximately HK\$7.8 million, HK\$7.8 million and HK\$8.8 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended March 31, 2013, 2014, and 2015, by any of member of the Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending March 31, 2016 to be approximately HK\$17.2 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Indemnity Given by the Controlling Shareholders

The Controlling Shareholders, pursuant to a deed of indemnity referred to in the section headed "B. Further Information about Our Business — 1. Summary of Material Contracts" in this Appendix IV, have agreed to give indemnities in favor of our Company (for itself and as trustee for its subsidiaries) in connection with, among other things, (i) any actual loss we may suffer from settlements of our outstanding foreign exchange forward contracts in Fiscal 2016 and thereafter in excess of HK\$90.8 million as set forth in the section headed "Financial

Information — Analysis of Selected Consolidated Balance Sheet Items — Derivative Financial Instruments”; (ii) all losses, fines or expenditures incurred as a result of the title defect of the Shenzhen Guangming Properties as set forth in the section headed “Business — Properties” and (iii) monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by us in connection with the non-compliance incidents by our Group occurred on or before the Listing Date as set forth in the section headed “Business — Licenses, Regulatory Approvals and Compliance — Regulatory non-compliance”. The aforesaid deed of indemnity is conditional on the conditions set out in the paragraph headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” being fulfilled.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the persons listed in the section headed “— D. Other Information — 6. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in the section headed “— D. Other Information — 6. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is significant in relation to the business of the Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the parties listed in the section headed “— D. Other Information — 6. Qualification of Experts” below (i) is interested legally or beneficially in any of the Shares or any shares in

any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) so far as is known to the Directors, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customer and five largest suppliers.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on September 11, 2015 and its implementation is conditional on the Listing.

(a) Purpose

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**").

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "**Other Schemes**") of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of our Company (including those outstanding, canceled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed". The Board may, with the approval of the

Shareholders in general meeting, grant options to any Eligible Person or Eligible Persons specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company, provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Each grant of options to an Eligible Person who is a Director (including an independent non-executive Director), chief executive or substantial shareholder of our Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Such grantee, his associates and any Shareholder who is a core connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a core connected person may vote against such resolution subject to the requirements of the Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Persons concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(i) *Time of vesting and exercise of options*

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the “**Option Period**”).

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which needs to be achieved by an option-holder before the option can be exercised. Any terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(j) *Restriction on the time of grant of options*

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing 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 our Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the 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 period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) *Ranking of the Shares*

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all

respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) *Restrictions on transfer*

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) *Rights on voluntary resignation*

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) *Rights on termination of employment*

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) *Rights on death, disability, retirement and transfer*

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or

- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with sub-paragraph (o) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or
- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or
- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) Rights on a general offer

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “**Change of Control**”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(r) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, 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, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or unvested, not so exercised will lapse.

(s) Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose 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 we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, 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, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or unvested, not so exercised will lapse.

(t) *Lapse of option*

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board;
- (ii) the date on which an option-holder is in breach of sub-paragraph (l); or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above applies.

(u) *Effect of alteration to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange, except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by our Company.

(v) *Cancellation of option*

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(w) *Termination of the Share Option Scheme*

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme, or (ii) be canceled in accordance with sub-paragraph (v).

(x) *Amendments to the Share Option Scheme*

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an independent non-Executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(y) *Conditions of the Share Option Scheme*

The adoption of the Share Option Scheme is 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, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Share Option Scheme was conditionally adopted:

- (a) the Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

(z) *General*

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

2. 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.

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material and adverse effect on its business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. See “Underwriting — The Sole Sponsor’s Independence” for details regarding the independence of the Sole Sponsor.

The fees payable to the Sole Sponsor are US\$500,000 and are payable by our Company.

5. No Material and Adverse Change

The Directors confirm that there has been no material and adverse change in the financial or trading position or prospects of the Group since March 31, 2015 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	License to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Deheng Law Offices (Shenzhen)	Legal advisors on PRC law to our Company
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Vietnam International Law Firm	Legal advisors on Vietnam law to our Company
Mr. Leung Wai-keung, Richard	Barrister-at-law in Hong Kong
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

7. Consents of Experts

Each of the experts referred to in the section headed “ — D. Other Information — 6. Qualification of Experts“ in this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

9. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately HK\$25,000 and were payable by us.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (vi) our Company has no outstanding convertible debt securities or debentures; and
 - (vii) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that:
- (i) since March 31, 2015 (being the date on which the latest audited consolidated financial statements of the Group was made up), there has been no material and adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material and adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (iii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Group for the years ended March 31, 2013, 2014 and 2015;
- (c) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinions issued by Deheng Law Offices (Shenzhen), our PRC legal advisor, dated September 24, 2015 in respect of certain aspects of the Group and the property interests of the Group in the PRC;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman legal advisor, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Vietnamese legal opinions dated September 24, 2015 and issued by Vietnam International Law Firm in respect of certain aspects of the Group;
- (h) the legal opinion dated September 24, 2015 and issued by Mr. Leung Wai-keung, Richard;
- (i) the Frost & Sullivan Report;
- (j) the material contracts referred to the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;

- (k) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix IV to this prospectus;
- (l) service contracts and letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus; and
- (m) the rules of the Share Option Scheme.

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Regina Miracle International (Holdings) Limited