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## REGULATORY OVERVIEW

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

### HONG KONG LAWS AND REGULATIONS

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

#### (A) Business Operation of the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **(B) Employment of the Group**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PRC LAWS AND REGULATIONS

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

### **Regulations on Foreign Investment**

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



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

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

### **Regulations on Import and Export of Goods**

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



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

### **Regulations on Taxation**

#### *Enterprise Income Tax*

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

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

### *Value Added Tax*

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

### *Urban Maintenance and Construction Tax as well as Education Surcharge*

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

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

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

### *Regulations on Product Liability*

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

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

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

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

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

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

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

### **Regulations on Foreign Exchange**

#### *Control of Foreign Exchange*

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

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

### **Regulations on Labor and Social Insurance**

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

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

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

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

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

### **Regulations on Housing Provident Fund**

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

### **Circular No. 37**

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

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

### **Dividend Distribution**

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

### **Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors**

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



### OTHER LAWS AND REGULATIONS

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

#### **Japanese laws and regulations**

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

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

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



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

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

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

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

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

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

### *Labor Laws*

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

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

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

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

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

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

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

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

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

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

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