THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mainland Headwear Holdings Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

MAINLAND HEADWEAR HOLDINGS LIMITED
飛達帽業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1100)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Financial adviser to the Company

SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 12 of this circular.

The Sale and Purchase Agreement and the transactions contemplated therein have been approved by written shareholders' approval obtained from SYIL and Madam Ngan, a closely allied group of Shareholders, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

* *For identification purposes only*

30 April 2019

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"2019 Profit Before Tax"	the profit before tax shown on the Accountants' Profit Before Tax Statement or as otherwise provided in the Sale and Purchase Agreement in the event of a dispute
"Accountants' 2019 Audit Report"	audited financial statements of the Target Company for the fiscal year ending 30 April 2019, which shall be prepared in accordance with HKFRSs and audit shall be conducted in compliance with Hong Kong Standards on Auditing
"Accountants Audit Reports"	audited financial statements of the Target Company for the fiscal years ended 30 April 2016, 2017 and 2018, and for the six months ended 31 October 2018, which shall be prepared in accordance with HKFRSs and audits shall be conducted in compliance with Hong Kong Standards on Auditing
"Accountants' Profit Before Tax Statement"	a separate detailed calculation to be issued simultaneously with the Accountants' 2019 Audit Report of the Target Company's profit before tax for the 2019 tax year, which profit before tax amount shall be calculated under the same method used by the Target Company for the immediately prior tax years
"Acquisition"	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
"Aquarius Loan"	the indebtedness of the Target Company relating to the operations and activities of the Target Company
"Board"	the board of Directors
"Business Days"	any day except Saturday, Sunday or any other day on which federally chartered banks in the USA are authorised or required by the applicable law to be closed for business
"Cash Consideration"	the sum of US$7,000,000 less the accountants' audit costs
"Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
"Completion Date"	the date on which the Completion will take place and should be within 10 Business Days after the last of the conditions precedent to the Completion has been satisfied or waived (other than conditions which, by their nature, are to be satisfied upon Completion)

"Company"	Mainland Headwear Holdings Limited, a company incorporated in the Bermuda with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1100)
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the consolidation of the Target Company
"Escrow Agent"	an escrow agent having offices in the St. Louis, Missouri metropolitan area, designated to serve as escrow agent under the Escrow Agreements
"Escrow Agreements"	the escrow agreements among the Purchaser, the Vendor and the Escrow Agent, to be executed and delivered at the Completion providing for the holding and disbursement of up to US$2,000,000 to Vendor in respect of the Performance Adjustment and of up to a total sum of US$675,000 to Purchaser in the event of certain breaches of representations or covenants under the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards, the financial reporting standards used by the accountants for the purpose of its auditing and presentation of the financial statements of the Target Company, which included conversion adjustments, if any, from U.S. General Accepted Accounting Principles, the financial reporting standards adopted by the Target Company, to HKFRSs the financial reporting standards adopted by the Group
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	independent third part(ies) who is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Latest Practicable Date"	26 April 2019, the latest practicable date for the identification of certain information in this circular prior to the despatch of this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 May 2019
"Madam Ngan"	Madam Ngan Po Ling, Pauline, an executive Director
"Material Adverse Effect"	any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, prospects, condition (financial or otherwise) or assets of the Target Company, or (b) the ability of the Vendor or the Purchaser (as applicable) to consummate the transactions contemplated under the Sale and Purchase Agreement on a timely basis
"Performance Adjustment"	the payment adjustment of the Performance Consideration pursuant to the Sale and Purchase Agreement
"Performance Consideration"	the amount of consideration as defined and determined by the formula set out in the paragraph headed "Consideration" in the Letter from the Board in this circular
"Purchaser"	Mainland Aquarius Investments Ltd, a company which is incorporated in Samoa and wholly owned by the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 25 April 2019 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares
"Sale Shares"	200 issued and outstanding common shares of the Target Company representing the entire issued share capital
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SYIL"	Successful Years International Co., Ltd., which is incorporated in the British Virgin Islands and is wholly owned by Mr. Ngan Hei Keung and Madam Ngan, both are executive Directors
"Target Company"	Aquarius, Ltd., a company incorporated in the USA with limited liability

"Total Consideration"	the Cash Consideration and Performance Consideration
"Transaction Documents"	the Sale and Purchase Agreement and such other documents as are required under the Sale and Purchase Agreement to be executed and delivered at Completion, including the Escrow Agreements and the employment agreement between the Vendor and the Target Company
"USA"	the United States of America
"US$"	the lawful currency of the USA
"Vendor"	Mr. Alexander Schonwald, an Independent Third Party who holds the entire issued share capital of the Target Company

MAINLAND HEADWEAR HOLDINGS LIMITED
飛達帽業控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 1100)

Executive Directors:
Ngan Hei Keung *(Chairman)*
Ngan Po Ling, Pauline *BBS, JP*
James S. Patterson
Maggie Gu *(Chief Operating Officer)*
Ngan Siu Hon, Alexander

Independent Non-executive Directors:
Leung Shu Yin, William
Liu Tieh Ching, Brandon, *JP*
Gordon Ng

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Rooms 1001–1005
10th Floor, Tower II
Enterprise Square I
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

30 April 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the Company's announcement dated 25 April 2019. On 25 April 2019 (after trading hours) (Hong Kong time), (i) the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agree to sell, and the Purchaser has conditionally

* *For identification purposes only*

agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company in issue, for a Total Consideration of US$9,000,000 (subject to Performance Adjustment), which shall be satisfied by way of cash.

The purpose of this circular is to provide you with further information regarding, among other things, (i) further information about the Acquisition, (ii) financial information of the Target Company, (iii) certain financial information of the Group, (iv) unaudited pro forma financial information on the Enlarged Group, (v) management discussion and analysis of the Target Company, and (vi) other information required to be disclosed under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Details of the terms and conditions of the Sale and Purchase Agreement are set out below:

Date:	25 April 2019
Parties:	(i) the Purchaser as purchaser; and (ii) the Vendor as vendor

The Vendor was one of the Group's customers in 2009. They have known each other in the industry for many years. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor is an Independent Third Party. Saved as disclosed, the Vendor does not have any relationship with the Company and its connected persons. The Purchaser is wholly owned by the Company and was incorporated in Samoa on 11 April 2019 and has not commenced business.

Assets to be acquired

Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

Pursuant to the Sale and Purchase Agreement, the Total Consideration for the sale and purchase of the Sale Shares shall be in the sum of US$9,000,000 (subject to Performance Adjustment), which shall be payable by the Purchaser in the following manner:

(a) the Purchaser shall pay to the Vendor a sum of US$7,000,000 (less the accountants' audit cost in relation to the Accountants Audit Reports which shall be borne by the Vendor) in cash (the "**Cash Consideration**") at the Completion Date;

(b) a sum of US$2,000,000 shall be transferred by the Purchaser to the Escrow Agent at the Completion Date in connection with the subsequent payment to the Vendor in respect of the Performance Adjustment (the "**Performance Consideration**"), which shall be calculated as follows:

(i) In the event that the 2019 Profit Before Tax equals or exceeds the amount of US$1,500,000.00, the Escrow Agent shall distribute to the Vendor the entire amount of the Performance Consideration; or

(ii) In the event that the 2019 Profit Before Tax is less than US$1,500,000.00 but greater than zero, the Escrow Agent shall distribute to the Vendor from the Performance Consideration the amount:

$$\text{US\$2,000,000.00} \quad \text{X} \quad \frac{\text{the 2019 Profit Before Tax amount}}{\text{US\$1,500,000.00}}$$

Following such distribution to the Vendor, the remaining balance of the Performance Consideration shall be returned to the Purchaser; or

(iii) In the event that the 2019 Profit Before Tax is zero (or if there is a net loss), then the Escrow Agent shall not distribute any amount to the Vendor from the Performance Consideration and shall distribute the entire remaining balance of the Performance Consideration to the Purchaser; and

(c) a sum of US$675,000 from the Cash Consideration will be deposited with and held by the Escrow Agent for possible payment of costs and losses incurred by the Purchaser by virtue of Vendor's breaches of representations or covenants in the Sale and Purchase Agreement.

Basis of the Total Consideration

The Total Consideration was agreed after arm's length negotiation between the Purchaser and the Vendor having taken into account, among other things, (i) the historical financial information of the Target Company; (ii) the future business prospects of the Target Company; and (iii) other reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, the obligations of the parties to the Sale and Purchase Agreement to complete the sale and purchase of the Sale Shares are conditional upon fulfillment or waiver (if applicable) of the following conditions:

(a) no governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated by the Sale and Purchase Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated thereunder to be rescinded following the Completion thereof;

(b) the Buyer and Seller shall have negotiated and finalized the Escrow Agreements prior to the date five (5) days in advance of the Completion Date;

(c) the compliance with all necessary approval, disclosure and other requirements of the Stock Exchange and obtaining of all stockholder and other party approvals required of the Purchaser or the Company on or before the Completion;

(d) the completion of and satisfaction of the Purchaser with the results of financial due diligence, legal due diligence and operational due diligence regarding the Target Company on or before 30 May 2019;

(e) the receipt of the Accountants' Audit Reports of the Target Company for the fiscal years ended 30 April of 2016, 2017 and 2018, and for the six months ended 31 October of 2017 and 2018, showing compliance with the regulatory requirements of the Listing Rules on or before 30 May 2019;

(f) issuance of any other necessary third party consents or approvals on or before 30 May 2019;

(g) the respective representations and warranties of the Purchaser and the Vendor contained in the Sale and Purchase Agreement, the other Transaction Documents and any certificate or other writing shall be true and correct in all material respects on and as of the date of the Sale and Purchase Agreement and on and as of the Completion Date;

(h) the Vendor and the Purchaser shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Sale and Purchase Agreement and each of the other Transaction Documents to be performed or complied with by the Vendor or the Purchase prior to or on the Completion Date;

(i) no material action shall have been commenced against the Purchaser, the Vendor or the Company, which would prevent the Completion;

(j) there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect from the date of the Sale and Purchase Agreement; and

(k) the Transaction Documents (other than the Sale and Purchase Agreement) shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to the other party.

The condition (c) above includes the requirements of the Shareholders having approved the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules or if permitted under the Listing Rules, the obtaining of written approval of the Shareholder(s) in lieu of holding a general meeting of the Company under Rule 14.44 of the Listing Rules when the transaction contemplated hereunder is classified as a "major transaction" under the Listing Rules but does not include the despatch of a circular to the Shareholders under Rule 14.38A of the Listing Rules.

For condition (f) above, the Company expects to obtain the necessary third party consents or approvals, including consents required from the lender under the Aquarius Loan (bank borrowings as stated in the balance sheet of the Target Company) and the landlords for the operating leases of the Target Company. As at the Latest Practicable Date, based on the latest discussions with relevant parties, the Company expects that there will be no change in the line of credit under the Aquarius Loan or the lease terms of the operating leases of the Target Company.

Conditions (a), (b) and (c) cannot be waived by the Purchaser and/or the Vendor. Conditions (d), (e), (f), (g) (for representations of the Vendor), (h) (for performance by the Vendor), (i) (for action against the Vendor or the Company), (j) and (k) (for those documents to be executed by the Vendor or the Company) can be waived at the discretion of the Purchaser. Conditions (g) (for representations of the Purchaser), (h) (for performance by the Purchaser), (i) (for action against the Purchaser) and (k) (for those documents to be executed by the Purchaser) can be waived at the discretion of the Vendor.

As at the Latest Practicable Date, the Purchaser and the Vendor do not have any intention to waive the conditions which are waivable by them.

If the conditions (including the necessary third party consents or approvals under condition (f) above) have not been fulfilled or waived (where applicable) on or before 30 May 2019 (being the Long Stop Date), the provisions of the Sale and Purchase Agreement (other than certain specified provisions) shall from such date have no effect and no party shall have any liability under them but without prejudice to the rights of any of the parties in respect of antecedent breaches.

As at the Latest Practicable Date, condition (d) above has been fulfilled.

Completion

Subject to the fulfillment or waiver (where applicable) of conditions precedent, the Completion shall take place at on the Completion Date (or on such other time and/or day as the Purchaser and the Vendor may agree).

Employment agreement between the Vendor and the Target Company

Pursuant to the Sale and Purchase Agreement, the Vendor and the Target Company will enter into an employment agreement before Completion to ensure continuous contribution of the Vendor, the president of the Target Company, in the Target Company. It is currently expected that the employment agreement will have a term of 2 years which will be automatically renewed annually if there is no objection by parties. Pursuant to the employment agreement, the Vendor will continue to act as the president of the Target Company, with a fixed annual remuneration of US$240,000, together with discretionary bonus and remuneration through a profit sharing scheme with pre-determined range of sharing ratios. The terms of the employment agreement are determined by parties through arm's length negotiations and with reference to historical remuneration paid by the Target Company to the Vendor.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company was incorporated in 1969 and is headquartered in St. Louis, Missouri, the USA. The Target Company is engaged in designing and marketing accessories for men, women and children in the USA. The Target Company sells licensed, private label and custom headwear, small leather goods, bags, and accessories to many retailers in the USA. As at the Latest Practicable Date, the Target Company is beneficially wholly-owned by the Vendor and the Vendor is the founder and the president of the Target Company.

Financial information of the Target Company

Set out below is the financial information of the Target Company extracted from the accountants' report on the Target Company for the six months ended 31 October 2018 and the two financial years ended 30 April 2018 and 30 April 2017 prepared in accordance with HKFRSs set out in Appendix II to this circular:

	For the six months ended 31 October 2018	**For the year ended**	
		30 April 2018	**30 April 2017**
	US$'000	*US$'000*	*US$'000*
Revenue	21,839	34,688	31,019
Profit from operations	1,705	636	496
Net profit for the period/year	1,115	315	273
Net assets at period/year end	8,839	7,724	7,409

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly owned subsidiary of the Group, the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, assuming the

Completion taking place on 31 December 2018, the Acquisition will lead to an increase of about HK$116.9 million in the total assets of the Group and an increase of about HK$120.9 million in the total liabilities of the Group. With respect to the prospects of the Target Company, it is expected that there will be an increase in the earnings of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the design, manufacturing and retail of quality casual headwear worldwide. The Board is looking for new business opportunities in the accessories business and suitable businesses which have significant growth potential for the Group.

The Directors consider that it is beneficial for the Group to seek suitable investment opportunities and the new business, through the Acquisition, will diversify the income stream of the Group and broaden the Group's revenue base and expand its business in the USA.

The Target Company operates its business in the USA for nearly 50 years and it is an established company in designing and marketing accessories and is one of the country's largest suppliers of accessories for men, women and children. The Target Company sells licensed, private label and custom headwear, small leather goods, bags, and accessories to many retailers in the USA. In light of this, the Directors consider that through the Acquisition, the Group could step forward in strengthening and to further expand the Group's existing business segment by widening the spectrum from headwear to the accessories segment. In order to maximise return to the Company and the Shareholders in the long run, the Directors believe that the Acquisition, should it be materialised, will enhance the corporate development of the Group which will be in the best interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement to be fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party and no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting on the relevant resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the general meeting if the Company is to convene a general meeting for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company has obtained written Shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated therein in accordance with Rule 14.44 of the Listing Rules from, SYIL and Madam Ngan, a closely allied group of Shareholders. As at the Latest Practicable Date, SYIL and Madam Ngan are beneficially interested in 219,952,000 Shares, representing approximately 54.27% of the entire issued share capital of the Company. Pursuant to Rule 14.44(2) of the Listing Rules, the written Shareholders' approval from SYIL and Madam Ngan will be accepted in lieu of holding a general meeting of the Shareholders. Accordingly, no physical Shareholders' meeting will be convened by the Company to approve the execution and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Mainland Headwear Holdings Limited
Ngan Hei Keung
Chairman

FINANCIAL INFORMATION OF THE GROUP

The information of the Company for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group are included in the below documents:

- The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been set out in the Company's 2018 annual report published on 12 April 2019 from pages 63 to 145 (http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0412/LTN201904121256.pdf).

- The audited consolidated financial statements of the Group for the year ended 31 December 2017 have been set out in the Company's 2017 annual report published on 12 April 2018 from pages 64 to 141 (http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0412/LTN20180412275.pdf).

- The audited consolidated financial statements of the Group for the year ended 31 December 2016 have been set out in the Company's 2016 annual report published on 19 April 2017 from pages 62 to 135 (http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN20170419365.pdf).

The aforesaid annual reports of the Company have been published on the websites of the Stock Exchange (http://www.hkex.com.hk) and of the Company (http://www.mainland.com.hk/)

INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of determining this indebtedness of the Group and the Target Company prior to the printing of this circular, the indebtedness of the Group and the Target Company was as follows:

	Notes	**As at 28 February 2019** *HK$'000*
The Group		
Bank borrowings — guaranteed	(1)	180,174
Bank borrowings — secured	(2)	762
Amount due to non-controlling interest — unsecured	(3)	503
		181,439
The Target Company		
Bank borrowings — secured	(4)	21,123
The Enlarged Group — Total		202,562

Notes:

1. Bank borrowings of HK$180,174,000 of the Group were guaranteed by the Company.

2. Bank borrowing of HK$762,000 of the Group represents finance lease liability which was secured by a legal charge on a motor vehicle of the Group.

3. The amount due to a non-controlling interest of HK$503,000 of the Group is unsecured.

4. Bank borrowing of US$2,715,000 (equivalent to approximately HK$21,123,000 at an exchange rate of US$1 to HK$7.78) of the Target Company (i.e. the Aquarius Loan) was secured by its accounts receivables and inventories. The amount will be matured in November 2019.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any other outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 28 February 2019.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The global economy environment is unstable and challenging owing to Sino-US trade dispute and Brexit, and very likely, it will continue in the near future. Thanks to the Group's decision five years ago of building a production plant in Bangladesh, which substantially relieves inadequate production capacity issue and fast increasing manufacturing cost pressure that faced by its Shenzhen factory. Because of this, manufacturing business maintains its position as the Group's major revenue and profit generator, and operating profit from this business kept increasing every year for last five years. The advantages offered by Bangladesh factory is particularly obvious when increased USA tariff is imposed on China exported products, which help convincing more customers to place orders to the Group's factory there.

Through on the job training in last several years, Bangladesh factory workers are now more mature and experienced which enable them to produce high-end and complicated products, which in turn helps boost gross profit margin of the manufacturing business. In view of this, the Group will put more resources to speed up the construction of phase II of Bangladesh factory aiming to start production in late 2019. The Group believes that upon the completion of the new factory building, the total number of the workers in Bangladesh will increase to 6,000 and around 90% of the Group's production will be produced by it.

To combat the sharp increase of minimum wages in Bangladesh effective December 2018, the Group has set up a new production line to accommodate advanced automatic and informative production equipment to increase production efficiency as well as to iron out some production problems arisen from miscommunication among workers and production supervisors. The Group will also start producing knitted hats and straw hats in the new factory building when it is completed. Many of these products have to rely on sub-contractors previously due to inadequate production space in the existing factory building.

Regarding trading business, H3 Sportgear LLC was relocated to San Diego and has been sharing the same new office and warehouse building with San Diego Hat Company since October 2018. This move enables the management of two companies work more closely and share common warehouse and back office resources together. After the completion of the Acquisition, the Group will be able to offer a full series of accessories ranging from headwear products, scarves, belts, wallet, backpacks and gloves to full spectrum of customers through different channels in off price market, mass market as well as high end market. The Group expects it can benefit from the synergy in sales and cost saving opportunities by bringing the Target Company to become one of its Group members.

Realizing that the retail market will remain tough both in China and Hong Kong as the buying habit of end customers changed dramatically from physical shops to on-line platforms, together with the consideration to match with Sanrio's long term business strategy, the Group has decided to terminate its retail business. The Group is now negotiating with Sanrio to transfer its entire retail business in China, comprising operation, staff, stores and inventory to them. As for the sales of headwear products, the Group has only one NOP brand self-operated shop in Hong Kong and the lease of it will expire in June 2019, the Group will then officially retreat from the retail market of Hong Kong. After the retail business is terminated, the Group will focus resources on developing the core manufacturing business and enhancing the trading business.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Enlarged Group and its internal generated funds, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from our reporting accountants, Crowe (HK) CPA Limited.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF AQUARIUS LTD. TO THE DIRECTORS OF MAINLAND HEADWEAR HOLDINGS LIMITED

Introduction

We report on the historical financial information of Aquarius Ltd. ("Aquarius") set out on pages II-4 to II-43, which comprises the statements of financial position of Aquarius as at 30 April 2016, 2017 and 2018 and 31 October 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Aquarius for each of the years ended 30 April 2016, 2017 and 2018 and six months ended 31 October 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-43 forms an integral part of this report, which has been prepared for inclusion in the document of Mainland Headwear Holdings Limited (the "Company") dated 30 April 2019 in connection with the proposed acquisition of the entire equity interest of Aquarius.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of Aquarius determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical

Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Aquarius, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Aquarius as at 30 April 2016, 2017 and 2018 and 31 October 2018, and of Aquarius's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of Aquarius which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 31 October 2017 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividend was paid by Aquarius in respect of the Relevant Periods.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 April 2019

Chan Wai Dune, Charles
Practising Certificate Number P00712

A. HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Aquarius for the Relevant Periods, on which the Historical Financial Information is based, were audited by Crowe (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 30 April			Six months ended 31 October	
		2016	**2017**	**2018**	**2017**	**2018**
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Revenue	5	32,599	31,019	34,688	19,203	21,839
Cost of sales		(22,925)	(21,637)	(23,751)	(12,595)	(14,969)
Gross profit		9,674	9,382	10,886	6,608	6,870
Other income	6	18	7	2	1	2
Selling and distribution expenses		(2,182)	(1,966)	(1,995)	(797)	(964)
General and administrative expenses		(5,914)	(5,715)	(6,907)	(2,873)	(3,599)
Product development costs		(1,073)	(1,212)	(1,350)	(687)	(604)
Profit from operations		523	496	636	2,252	1,705
Finance costs	7(a)	(94)	(71)	(131)	(60)	(112)
Profit before taxation	7	429	425	505	2,192	1,593
Income tax expenses	8(a)	(156)	(152)	(190)	(785)	(478)
Profit for the year		273	273	315	1,407	1,115
Other comprehensive income for the year, net of income tax		—	—	—	—	—
Total comprehensive income for the year		273	273	315	1,407	1,115

The accompanying notes on pages II-8 to II-43 form part of the Historical Financial Information.

BALANCE SHEETS

		As at 30 April			As at 31 October
		2016	2017	2018	2018
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets					
Property, plant and equipment	14	116	76	159	148
Intangible assets		—	—	—	—
Deferred income tax assets	20(b)	80	82	44	44
		196	158	203	192
Current assets					
Inventories	15	5,850	5,319	7,200	8,009
Trade and other receivables	16	7,191	7,692	8,370	13,143
Tax recoverable	20(a)	—	21	—	42
Cash and cash equivalents	17	23	149	131	467
		13,064	13,181	15,701	21,661
Current liabilities					
Trade and other payables	18	3,722	4,830	5,549	6,436
Bank borrowings	19	2,361	1,100	2,630	6,100
Tax payables	20(a)	41	—	1	478
		6,124	5,930	8,180	13,014
Net current assets/(liabilities)		6,940	7,251	7,521	8,647
Non-current liabilities					
Deferred income tax liabilities	20(b)	—	—	—	—
		—	—	—	—
Net assets		7,136	7,409	7,724	8,839
Capital and reserves					
Paid-in capital	21	362	362	362	362
Retained earnings		6,774	7,047	7,362	8,477
Total equity		7,136	7,409	7,724	8,839

The accompanying notes on pages II-8 to II-43 form part of the Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of Aquarius				
	Share capital *US$'000*	Additional paid-in capital *US$'000*	Treasury stock *US$'000*	Retained earnings *US$'000*	Total equity *US$'000*
At 1 May 2015	4	458	(100)	6,501	6,863
Changes in equity for year ended 30 April 2016:					
Profit for the year	—	—	—	273	273
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	273	273
At 30 April 2016 and 1 May 2016	4	458	(100)	6,774	7,136
Changes in equity for year ended 30 April 2017:					
Profit for the year	—	—	—	273	273
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	273	273
At 30 April 2017 and 1 May 2017	4	458	(100)	7,047	7,409
Changes in equity for year ended 30 April 2018:					
Profit for the year	—	—	—	315	315
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	315	315
At 30 April 2018 and 1 May 2018	4	458	(100)	7,362	7,724
Changes in equity for six months ended 31 October 2018:					
Profit for the period	—	—	—	1,115	1,115
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	—	—	—	1,115	1,115
At 31 October 2018	4	458	(100)	8,477	8,839
Changes in equity for six months ended 31 October 2017					
At 1 May 2017	4	458	(100)	7,047	7,409
Profit for the period	—	—	—	1,407	1,407
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	—	—	—	1,407	1,407
Transfer to reserve	—	—	—	—	—
At 31 October 2017 (Unaudited)	4	458	(100)	8,454	8,816

The accompanying notes on pages II-8 to II-43 form part of the Historical Financial Information.

STATEMENTS OF CASH FLOWS

	Note	Years ended 30 April 2016	2017	2018	Six months ended 31 October 2017	2018
		US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Operating activities						
Profit before taxation		429	425	505	2,192	1,593
Adjustments for:						
Bank interest income		—	—	—	—	—
Finance costs		94	71	131	60	112
Impairment loss on trade receivables		—	1	—	—	342
Depreciation of property, plant and equipment		67	53	42	118	22
		590	550	678	2,270	2,069
Changes in working capital						
Decrease/(increase) in inventories		(2,263)	531	(1,881)	(1,240)	(809)
Decrease/(increase) in trade and other receivables		1,315	(502)	(678)	(3,695)	(5,115)
Increase/(decrease) in trade and other payables		595	1,108	719	(1,837)	887
Cash generated from operations		237	1,687	(1,162)	(4,502)	(2,968)
Income tax (paid)/refund		(108)	(216)	(130)	—	(43)
Net cash generated from operating activities		129	1,471	(1,292)	(4,502)	(3,011)
Investing activities						
Acquisition of property, plant and equipment		7	(13)	(125)	—	(11)
Proceeds from disposal of property, plant and equipment		—	—	—	—	—
Interest received		—	—	—	—	—
Net cash used in investing activities		7	(13)	(125)	—	(11)
Financing activities						
Proceeds from new bank loans		7,643	5,157	7,303	4,507	3,470
Repayment of bank loans		(7,738)	(6,418)	(5,773)	—	—
Interest paid		(94)	(71)	(131)	(60)	(112)
Net cash used in financing activities		(189)	(1,332)	1,399	4,447	3,358
Net increase/(decrease) in cash and cash equivalents		(53)	126	(18)	(55)	336
Cash and cash equivalents at beginning of the year/period		76	23	149	149	131
Cash and cash equivalents at end of the year/period	17	23	149	131	94	467

The accompanying notes on pages II-8 to II-43 form part of the Historical Financial Information.

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Aquarius, Ltd. ("Aquarius") is a limited liability company incorporated in the United States of America on 19 September 1969. The address of its registered office is 3200 S. Kingshighway Blvd., St. Louis, MO 63139. Aquarius is engaged in designing and marketing accessories for men, women and children in the United States. Aquarius sells licensed, private label and custom headwear, small leather goods, bags, and accessories to many retailers in the United States.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted are set out in note 3.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, except as below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, Aquarius has adopted all applicable new and revised HKFRSs throughout the Relevant Periods except for HKFRS 9 "Financial Instruments", which has been adopted since 1 May 2018. Aquarius has adopted HKFRS 15 "Revenue from Contracts with Customers", throughout the Relevant Periods. Aquarius has not adopted any other new accounting standards and interpretations issued but not yet effective for the accounting year ending 30 April 2019 (set out in note 30).

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Aquarius has applied HKFRS 9 to items that existed at 1 May 2018 in accordance with the transition requirements. Aquarius has concluded that there is no material impact for the initial application of the new impairment requirements, therefore, no adjustment is made to the opening equity at 1 May 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial assets and financial liabilities at 1 May 2018 have not been impacted by the initial application of HKFRS 9.

b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

Aquarius applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For further details on Aquarius's accounting policy for accounting for credit losses, see note 3(f).

c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied except as described below:

Information relating to Historical Financial Information for the years ended 30 April 2016, 2017 and 2018 and the six months ended 31 October 2017 or at 30 April 2016, 2017 and 2018 has not been restated. Accordingly, the information presented for the years ended 30 April 2016, 2017 and 2018 and the six months ended 31 October 2017 or at 30 April 2016, 2017 and 2018 continues to be reported under HKAS 39 and thus may not be comparable with Historical Financial Information for the six months ended 31 October 2018 or at 31 October 2018.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Stub Period Corresponding Financial Information for the six months ended 31 October 2017 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Historical Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

Items included in the financial statements is measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant of the entity. The financial statements are presented in US$, rounded to the nearest thousand, except when otherwise indicated, which is the presentation currency and the functional currency of Aquarius.

The measurement basis used in the preparation of the financial statements is the historical cost basis, unless otherwise specified in the following accounting policies.

b) Use of estimates and judgments

The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 3(f)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— leasehold improvements	3 years
— furniture and fixtures	3 years
— machinery and equipment	3 years
— motor vehicles	6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Aquarius 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 recognised in profit or loss during the financial period in which they are incurred.

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 or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Aquarius's accounting policy. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

d) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Aquarius determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to Aquarius

Assets that are held by Aquarius under leases which transfer to Aquarius substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to Aquarius are classified as operating leases.

ii) Operating lease charges

Where Aquarius has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

e) Credit losses and impairment of assets

i) Credit losses from financial instruments and contract assets

a) Policy applicable from 1 May 2018

Aquarius recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and

— contract assets as defined under HKFRS 15 (see note 3(h).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to Aquarius in accordance with the contract and the cash flows that Aquarius expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which Aquarius is exposed to credit risk.

In measuring ECLs, Aquarius takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on Aquarius's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, Aquarius recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, Aquarius compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, Aquarius considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to Aquarius in full, without recourse by Aquarius to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. Aquarius considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to Aquarius.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Aquarius recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 3(p)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, Aquarius assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset and contract assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when Aquarius determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

b) Policy applicable prior to 1 May 2018

Prior to 1 May 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss has reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When Aquarius was satisfied that the recovery was remote, the amount considered irrecoverable is written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. is a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating unit are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula and comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value represents the estimated selling price in the ordinary course of business less than estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

g) Contract assets and contract liabilities

A contract asset is recognised when Aquarius recognises revenue (see note 3(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 3(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(i)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue 9see note 3(p)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(i)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 3(p)).

h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Aquarius holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'net impairment losses on financial assets' in the consolidated statement of profit or loss.

i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

j) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of Aquarius's cash management are also included as a component of cash and cash equivalents for the purpose of the statements of cash flows. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 3(e)(i).

l) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised at the earlier of when Aquarius can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Aquarius has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, Aquarius intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

— different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

n) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Aquarius has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Revenue and other income

HKFRS 15 "Revenue from Contracts with Customers" replaces previous revenue standard HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. Aquarius has adopted HKFRS 15 throughout the Relevant Periods.

Income is classified by Aquarius as revenue when it arises from the sale of goods in the ordinary course of Aquarius's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which Aquarius is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to Aquarius, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. Aquarius takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of Aquarius's revenue and other income recognition policies are as follows:

i) Sales of goods — wholesale and trading

Sales of goods are recognised when Aquarius has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) Sales of goods — retail

Sales of goods are recognised when Aquarius sells a product to the customer. Retail sales are usually in cash or by credit card.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3(f)(i)).

p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss and are reported on a net basis.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

r) Dividends

Dividends are recognised on a liability in the period in which they are declared.

s) Related parties

For the purpose of these financial statements, a related party is a person or entity that is related to Aquarius:

a) A person, or a close member of that person's family, is related to Aquarius if that person:

  i) has control or joint control over Aquarius;

  ii) has significant influence over Aquarius; or

  iii) is a member of the key management personnel of Aquarius or Aquarius's parent.

b) An entity is related to Aquarius if any of the following conditions applies:

  i) The entity and Aquarius are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii) Both entities are joint ventures of the same third party;

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v) The entity is a post-employment benefit plan for the benefit of employees of either Aquarius or an entity related to Aquarius;

vi) The entity is controlled or jointly controlled by a person identified in (a) above;

vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Aquarius or to Aquarius's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGMENTS IN APPLYING AQUARIUS'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Aquarius's accounting policies, which are described in note 4 above, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the critical judgments, apart from those involving estimations (see below), that the management has made in the process of applying Aquarius's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Critical accounting judgments in applying Aquarius's accounting policies

i) Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgment is required. In making this judgment, Aquarius evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

ii) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Aquarius recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Estimation of impairment of non-current assets

If circumstances indicated that the carrying amounts of non-current asset may not be recovered, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets. These assets are tested for impairment periodically or whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recovered.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. Aquarius uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of level of revenue and amount of operating costs.

ii) Allowance for impairment of doubtful debts

Aquarius makes allowances on receivables based on assumptions about risk of default and expected loss rates. Aquarius used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Aquarius past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

iii) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of Aquarius and require a significant level of judgment exercised by the management. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised in future periods.

5. REVENUE

Aquarius is engaged in designing and marketing accessories for men, women and children in the United States. All of the revenue is recognised at a point in time. The customers obtain control of the products when they are delivered to and have been accepted at premises determined by customers.

	Years ended 30 April			Six months ended	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Sales of goods	32,599	31,019	34,688	19,203	21,839

No customer contributed 10% or more to Aquarius's revenue for the years ended 30 April 2016, 2017 and 2018 and for the six months ended 31 October 2017 and 2018.

6. OTHER INCOME

	Years ended 30 April			Six months ended	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Other income					
Interest income on bank deposits	—	—	—	—	—
Total interest income on financial assets not at fair value through profit or loss	—	—	—	—	—
Commission income	—	—	1	—	1
Sundry income	18	7	1	1	1
	18	7	2	1	2

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	Years ended 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
a) Finance costs:					
Interest on bank borrowings	94	71	131	60	112
Total interest expenses on financial liabilities not at fair value through profit or loss	94	71	131	60	112
b) Staff costs (including director's emoluments):					
Salaries, wages and other benefits	8,184	7,887	8,996	3,754	3,968
Contributions to defined contribution retirement plans	—	16	50	29	36
Total staff cost	8,184	7,903	9,046	3,783	4,004
c) Other items:					
Auditor's remuneration	—	—	—	—	—
Cost of inventories	19,252	18,064	19,473	10,807	13,092
Depreciation of property, plant and equipment	67	53	42	18	22
Amortisation of intangible assets	—	—	—	—	—
Loss on disposal of property, plant and equipment	—	—	—	—	—
Net loss on write-off of property, plant and equipment	—	—	—	—	—
Minimum lease payments under operating leases	559	625	724	360	367

Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in notes 7(b) and 7(c) for each of these types of expenses.

	Years ended 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Staff costs	7,281	7,124	7,753	3,634	3,848
Depreciation and amortisation	67	53	42	20	22

8. INCOME TAX EXPENSE IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

a) Income tax recognised in the statements of profit or loss represents:

	Years ended 30 April			Six months ended 31 October	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Current tax — Federal and State Income taxed Income Tax					
Provision for the year	182	154	153	785	478
Deferred tax					
Origination and reversal of temporary differences	(26)	(2)	3	—	—
Effect on deferred tax balances from a change in tax rate	—	—	34	—	—
Total	156	152	190	785	478

On 22 December 2017, the U.S. government enacted the Tax Cuts and Jobs Act (Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code. The Tax Act establishes new tax laws that will affect 2018, including, but not limited to the reduction of the U.S. federal corporate tax rate. At 31 December 2017, Aquarius recorded adjustments to its deferred tax assets and liabilities due to the reduction of the U.S. federal corporate tax rate to 21%, effective from 1 January 2018.

b) Reconciliation between income tax expenses and accounting profit at applicable tax rates is as follows:

	Years ended 30 April			Six months ended 31 October	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Profit before taxation	429	425	505	2,192	1,593
Notional tax on profit before taxation, calculated at the statutory income tax rates applicable to the respective tax jurisdictions	156	152	190	758	478
Actual tax expense	156	152	190	758	478

Aquarius follow accounting rules for uncertain tax positions. Aquarius's federal and state tax returns for the years 30 April 2015 and later remain subject to examination by taxing authorities.

9. DIRECTORS' EMOLUMENTS

The following is the details of remuneration of Aquarius's director:

Year ended 30 April 2016

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution retirement plans	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Alexander Schonwald	—	240	660	—	900
	—	240	660	—	900

Year ended 30 April 2017

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution retirement plans	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Alexander Schonwald	—	240	520	1	760
	—	240	520	1	760

Year ended 30 April 2018

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution retirement plans	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Alexander Schonwald	—	240	1,000	—	1,240
	—	240	1,000	—	1,240

	Year ended 30 April 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution retirement plans	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Alexander Schonwald	—	120	—	—	120
	—	120	—	—	120

	Six months ended 31 October 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution retirement plans	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Alexander Schonwald	—	120	—	—	120
	—	120	—	—	120

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of Aquarius during the years ended 30 April 2016, 2017 and 2018 and six months ended 31 October 2017 and 2018 as follows:

	Years ended 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Salaries and other emoluments	900	759	1,230	120	120
Contributions to defined contribution retirement plans	—	1	10	—	—
	900	760	1,240	120	120

The emoluments of the above four individuals with the highest emoluments are within the following band:

	Number of individuals				
	Years ended 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Nil to US$1,000,000	4	4	4	4	4

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is considered not meaningful.

12. DIVIDENDS

No dividend has been paid or declared by Aquarius since its date of incorporation.

No dividend has been paid or declared by Aquarius during the Relevant Periods.

13. EMPLOYEE RETIREMENT BENEFITS COSTS

Defined contribution retirement plan

Aquarius has a profit sharing 401(K) plan covering eligible employees. Aquarius makes matching contributions equal to a discretionary percentage, as determined by Aquarius, of the participants' deferral contributions.

	Years ended 30 April			Six months ended 31 October	
	2015	**2016**	**2017**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Contributions to defined contribution retirement plans	—	16	50	29	36

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost					
At 1 May 2015	199	453	69	89	810
Additions	3	4	—	—	7
Disposals	—	—	—	—	—
Write off	—	(4)	—	—	(4)
At 30 April 2016 and 1 May 2016	202	453	69	89	813
Additions	—	13	—	—	13
Disposals	—	—	—	—	—
Write off	—	(10)	—	—	(10)
At 30 April 2017 and 1 May 2017	202	456	69	89	816
Additions	10	61	9	45	125
Disposals	—	(22)	—	(50)	(72)
Write off	—	—	—	—	—
At 30 April 2018 and 1 May 2018	212	495	78	84	869
Additions	2	9	—	—	11
Disposals	—	—	—	—	—
Write off	—	—	—	—	—
At 31 October 2018	214	504	78	84	880
Accumulated depreciation and impairment losses					
At 1 May 2015	185	360	69	16	630
Charge for the year	3	51	—	13	67
Eliminated on disposal	—	—	—	—	—
Eliminated on write off	—	—	—	—	—
At 30 April 2016 and 1 May 2016	188	411	69	29	697
Charge for the year	4	36	—	13	53
Eliminated on disposal	—	—	—	—	—
Eliminated on write off	—	(10)	—	—	(10)
At 30 April 2017 and 1 May 2017	192	437	69	42	740
Charge for the year	6	23	—	13	42
Eliminated on disposal	—	(21)	—	(51)	(72)
Eliminated on write off	—	—	—	—	—
At 30 April 2018 and 1 May 2018	198	439	69	4	710
Charge for the period	4	10	2	6	22
Eliminated on disposal	—	—	—	—	—
Eliminated on write off	—	—	—	—	—
At 31 October 2018	202	449	71	10	732
Carrying amount					
At 31 October 2018	12	55	7	74	148
At 30 April 2018	14	57	9	79	159
At 30 April 2017	10	24	—	42	76
At 30 April 2016	14	43	—	60	116

15. INVENTORIES

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials	—	—	—	—
Finished goods	5,850	5,319	7,200	8,009
	5,850	5,319	7,200	8,009

The analysis of the amount of inventories recognised as an expense is as follows:

	Years ended As at 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Carrying amount of inventories sold	19,252	18,064	19,473	10,807	13,092

16. TRADE AND OTHER RECEIVABLES

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	6,554	7,073	7,828	12,977
Less: Allowance for doubtful debts *(note (c))*	(15)	(15)	(15)	(357)
Total trade receivables, net of allowance for doubtful debts	6,539	7,058	7,813	12,620
Due from affiliated company *(note (d))*	100	100	100	100
Other receivables	210	201	248	218
	6,849	7,359	8,161	12,938
Prepayments and deposits	342	333	209	205
	7,191	7,692	8,370	13,143
Reconciliation to the statements of financial position:				
Non-current assets	—	—	—	—
Current assets	7,191	7,692	8,370	13,485
	7,191	7,692	8,370	13.485

Note:

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

During the years ended 30 April 2016, 2017 and 2018 and six months ended 31 October 2017 and 2018, Aquarius allowed an average credit period of 30 days to its customers. Credit is offered to customers following an assessment of their financial abilities and/or payment track record. Credit limits are set out all customers and these can be exceeded only with the approval from management. Management also monitors overdue trade debts, and follows up the collection of these receivables.

a) The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the monthly invoice date at the end of the reporting period:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	4,839	4,857	4,916	9,209
31 to 60 days	900	937	1,689	1,946
61 to 90 days	498	521	312	649
Over 90 days	392	743	896	816
	6,539	7,058	7,813	12,620

Trade receivables are due within 30 to 60 days from the date of billing. Further details on Aquarius's credit policy are set out in note 23(b)(i).

b) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Neither past due nor impaired	4,839	4,857	4,916	9,209
Past due but not impaired				
Less than 30 days past due	900	937	1,689	1,946
31 to 60 days past due	498	521	312	649
Over 60 days past due	392	743	896	816
	6,539	7,058	7,813	12,620

Receivables that were neither past due not impaired relate to a wide range of customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good track record with Aquarius. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless Aquarius is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 3(f)(i)).

The movement in the allowance for doubtful debts during the year/period, including both specific and collective loss components, is as follows:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at beginning of the year/period	10	10	10	15
Impairment loss recognised/(reversed)	—	—	5	342
Balance at end of the year/period	10	10	15	357

d) The balance represented loan due from Power Properties. The balance is unsecured, interest-free and repayable on demand.

17. CASH AND CASH EQUIVALENTS

a) Cash at bank and on hand in the statements of financial position comprise:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and bank balance	23	149	131	467
Deposit with banks	—	—	—	—
Cash and cash equivalents representing cash and bank balances in the statements of financial position and the statementsof cash flows	23	149	131	467

b) Interest rate and currency profile

The following table details the interest rate and currency profile of Aquarius's bank deposits at end of reporting period.

	As at 30 April						As at 31 October	
	2016		**2017**		**2018**		**2018**	
	Effective interest rates	**Amount**	**Effective interest rates**	**Amount**	**Effective interest rates**	**Amount**	**Effective interest rates**	**Amount**
	%	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000*
US$	3	23	3.5	149	4.25	131	4.75	467
		23		149		131		467

c) Reconciliation of liabilities arising from financial activities

The tables below detail changes in Aquarius liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in Aquarius's statements of cash flows as cash flows from financing activities:

	Years ended 30 April			Six months ended 31 October	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
At beginning of the year/period	2,456	2,361	1,100	1,100	2,630
Proceeds from new bank loans	7,643	5,157	7,303	5,041	6,951
Repayment of bank loans	(7,738)	(6,418)	(5,773)	(534)	(3,481)
At end of the year/period	2,361	1,100	2,630	5,607	6,100

18. TRADE AND OTHER PAYABLES

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables *(note a)*	2,394	3,648	3,467	5,250
Accruals and other payables	1,328	1,182	2,082	1,186
Financial liabilities measured at amortised costs	3,722	4,830	5,549	6,436

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

a) The ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 month	1,257	2,116	1,863	3,179
After 1 month but within 3 months	886	873	1,438	1,301
After 3 months but within 1 year	251	659	166	770
Over 1 year	—	—	—	—
	2,394	3,648	3,467	5,250

19. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is repayable on demand or based on schedule repayment dates as follows:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank loans	2,361	1,100	2,630	6,100
Within one year or on demand	2,361	1,100	2,630	6,100
After one year but within two years	—	—	—	—
After two years but within five years	—	—	—	—
After five years	—	—	—	—
	2,361	1,100	2,630	6,100
Secured	2,361	1,100	2,630	6,100
Unsecured	—	—	—	—
	2,361	1,100	2,630	6,100

The analysis of the carrying amount of the bank borrowings is as follows:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year or on demand	2,361	1,100	2,630	6,100
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause	—	—	—	—
Amount shown under current liabilities	2,361	1,100	2,630	6,100
Amount shown under non-current liabilities	—	—	—	—
	2,361	1,100	2,630	6,100

Aquarius has a line of credit with a bank for borrowings up to a maximum of US$10,000,000. The note bears interest at the prime rate minus 0.5% (the Base Rate), or the greater of (i) the LIBOR rate plus 2%, or (ii) a minimum LIBOR rate of 3% (the Adjusted LIBOR Rate), as defined by the agreement. Aquarius has the option to elect the Base Rate or the Adjusted LIBOR Rate. The line of credit is secured by accounts receivable and inventory. The note is due on demand, or if no demand is made, the balance is due November 2018. Borrowings under the line of credit amounted to US$1,000,000 and US$2,630,000 at 30 April 2017 and 2018 respectively. At 30 April 2017 and 2018, Aquarius had approximately US$9,900,000 and US$7,370,000 respectively, available to borrow of an interest rate of 3.59% and 4.25%, respectively. Aquarius had no outstanding letters of credit at 30 April 2017 and 2015.

The ranges of effective interest rates for Aquarius's bank borrowings are as follows:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	%	*%*	*%*	*%*
Interest rate:				
Fixed-rate bank borrowings	3	3.5	4.25	4.75

20. INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

a) Tax payables/(recoverable) in the statements of financial position and the movements during the period/year are as follows:

	As at 30 April			As at 31 October
	2016	**2017**	**2018**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Tax payables/(recoverable)	41	(21)	1	436

b) Deferred tax assets recognised

The components of deferred tax assets recognised in the statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	**Property, plant and equipment**	**Accounts receivables**	**Inventory**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 May 2015	29	6	19	54
(Credited)/charged to profit or loss	18	—	8	26
At 30 April 2016 and 1 May 2016	47	6	27	80
(Credited)/charged to profit or loss	11	—	(9)	2
At 30 April 2017 and 1 May 2017	58	6	18	82
(Credited)/charged to profit or loss	(20)	(3)	(15)	(34)
Adjustment for rate change	(16)	—	16	4
At 30 April 2018 and 1 May 2018	22	3	19	44
(Credited)/charged to profit or loss	—	—	—	—
At 31 October 2018	22	3	19	44

The following is the analysis of the deferred tax assets for financial reporting purposes:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred tax assets recognised in the statements of financial position	80	82	44	44
Deferred tax liabilities recognised in the statements of financial position	—	—	—	—
	80	82	44	44

21. SHARE CAPITAL AND RESERVES

The Company was incorporated in the United States of America with limited liability on 19 September 1969 with 200 issued common shares.

For the purpose of the preparation of the financial statements, the balances of share capital as at 30 April 2016, 2017 and 2018 and 31 October 2018, represent the aggregate amount of the paid-up capital of Aquarius:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share capital	362	362	362	362

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the respective group entities. All ordinary shares rank equally with regard to the residual assets of Aquarius.

Capital management

Aquarius's primary objectives when managing capital are to safeguard Aquarius's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of Aquarius mainly consists of equity attributable to owners of Aquarius, comprising share capital and reserves, and the total borrowings as shown in the statements of financial position.

Aquarius actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

As part of this review, Aquarius's director consider the cost of capital and the risks associated with each class of capital. Based on recommendations of Aquarius's director, Aquarius will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Aquarius is subject to any externally imposed capital requirements.

During the Relevant Periods, Aquarius monitors capital structure using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as the sum of trade and other payables, bank borrowings, deferred income, amounts due to related companies less cash and cash equivalents. Total equity is the balance as shown in the statements of financial position. Aquarius's strategy was to maintain the gearing ratios within a reasonable level. The gearing ratios at 30 April 2016, 2017 and 2018 and 31 October 2018 were as follows:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	3,061	2,921	4,590	4,703
Bank borrowings	2,361	1,100	2,630	6,011
Less: Cash and cash equivalents	(23)	(149)	(131)	(467)
Net debt	5,399	3,872	7,089	10,247
Total equity	7,136	7,409	7,724	9,959
Gearing ratio	75.7%	52.3%	91.8%	102.9%

22. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets				
Trade and other receivables	7,191	7,692	8,370	13,143
Cash and cash equivalents	23	149	131	467
	7,214	7,841	8,501	13,610
Financial liabilities				
Trade and other payables	3,722	4,830	5,549	6,136
Bank borrowings	2,361	1,100	2,630	6,100
Financial liabilities at amortised cost	6,083	5,930	8,179	12,236

b) Financial risk management and fair values

Exposure to credit risk, interest rate risk, liquidity risk and currency risk arises in the normal course of Aquarius's business. Aquarius's exposure to these risks and the financial risk management policies and practices used by Aquarius to mitigate these risks are described below.

i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Aquarius.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Aquarius. Aquarius's credit risk is primarily attributable to trade and other receivables. Aquarius's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings. Given their high credit ratings management does not expect any counterparty to fail to meet their obligations.

Aquarius does not provide any other guarantees which expose Aquarius to credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the combined statement of financial position after deducting any impairment allowances (see note 18).

Trade and other receivables

Aquarius's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arise when Aquarius has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 60 days from the date of billing. Normally, Aquarius does not obtain collateral from customers.

Starting from 1 May 2018, Aquarius measures loss allowances for trade receivables at an amount equal to lifetime ECL's, which is calculated arising a provision matrix. As Aquarius's historical credit loss experience does not indicate significantly different loss patterns, Aquarius assessed that there is no significant loss allowance recognised in accordance with HKFRS as at 31 October 2018.

Expected loss rates are estimated by management based on actual loss experience over the past three years and are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and forward-looking information such as macroeconomic: factors affecting the ability of the customers to settle the receivables and Aquarius's view of economic conditions over the expected lives of the receivables.

ii) Interest rate risk

Aquarius's interest rate risk arises primarily from bank loans. Aquarius's cash flow interest rate risk relates primarily to variable-rate bank deposits, and Aquarius's fair value interest rate risk relates primarily to fixed-rate bank loans. Aquarius's interest rate profile as monitored by management is set out in (i) below.

i) Interest rate profile

The following table details the interest rate profile of Aquarius's bank loans at the end of the reporting period.

	As at 30 April						As at 31 October	
	Range of effective interest rates	**2016**	**Range of effective interest rates**	**2017**	**Range of effective interest rates**	**2018**	**Range of effective interest rates**	**2018**
	%	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000*
Fixed-rate borrowing								
Bank loans	3%	2,361	3.5%	1,100	4.25%	2,630	4.75%	6,100
Total bank loans		2,361		1,100		2,630		6,100

ii) Sensitivity analysis

Aquarius's fair value interest rate risk relates primarily to fixed-rate bank loans. The director of Aquarius consider the fair value interest rate risk is insignificant to Aquarius as the bank loans are short term.

iii) Liquidity risk

Liquidity risk is the risk that Aquarius will not be able to meet its financial obligations as they fall due. Aquarius's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of Aquarius's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date Aquarius can be required to pay. The table includes interest and principal cash flows.

	As at 30 April 2016					
	On demand	**Within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash outflows**	**Carrying amount**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	3,722	—	—	—	3,722	3,722
Bank loans	—	2,361	—	—	2,361	2,361
	3,722	2,361	—	—	6,083	6,083

	As at 30 April 2017					
	On demand	**Within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash outflows**	**Carrying amount**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	4,830	—	—	—	4,830	4,830
Bank loans	—	1,100	—	—	1,100	1,100
	4,830	1,100	—	—	5,930	5,930

	As at 30 April 2018					
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash outflows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	5,549	—	—	—	5,549	5,549
Bank loans	—	2,630	—	—	2,630	2,630
	5,549	2,630	—	—	8,179	8,179

	As at 31 October 2018					
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash outflows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade and other payables	6,136	—	—	—	6,136	6,136
Bank loans	—	6,100	—	—	6,100	6,100
	6,136	6,100	—	—	12,236	12,236

Aquarius held cash and bank balances amounting to approximately US$23,000, US$149,000, US$131,000 and US$467,000 as at 30 April 2016, 2017 and 2018 and 31 October 2018 respectively, and the director of Aquarius consider that it is adequate for Aquarius to manage its liquidity requirements in the coming next twelve months from the date of this report.

iv) Currency risk

Aquarius is not exposed to significant currency risk arising in the normal course of its business operations because the majority of the cases and purchase transactions are conducted in the currency of the primarily economic environment in which Aquarius operates.

v) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of Aquarius's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 April 2016, 2017 and 2018 and 31 October 2018 respectively because of the immediate or short term maturity of these financial instruments.

23. CONTINGENT LIABILITIES

Aquarius did not have any other material contingent liabilities as at 30 April 2016, 2017 and 2018 and 31 October 2018.

24. MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Periods, the director is of the view that the following companies and individuals are related parties of Aquarius:

Name of party	Relationship
Power Properties *(note 16(d))*	Alexander Schonwald, a director of Aquarius, is the sole shareholder of Power Properties

a) Remuneration for key management personnel

Details of key management personnel remuneration are as follows:

	As at 30 April			Six months ended 31 October	
	2016	2017	2018	2017	2018
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Salaries, allowances and benefits in kind	1,280	1,283	1,276	781	729

b) Transactions with other related parties

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, Aquarius did not entered into any other material related party transactions with its related parties.

25. OPERATING LEASES

As at end of reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of business premises are payable as follows:

	As at 30 April			As at 31 October
	2016	2017	2018	2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year	576	620	672	649
After 1 year but within 5 years	898	337	621	653
	1,474	957	1,293	1,302

The Aquarius is obligated under a lease for approximately 142,000 square feet of space of an operating facility located in the City of St. Louis, which is being used as its office and warehouse. The Aquarius has executed a two-year lease extension expiring 31 March 2020. The annual base rental is US$498,680 for the term 1 April 2018 to 31 March 2019 and for the term 1 April 2019 to 31 March 2020.

The Aquarius is also obligated under a lease for office space in New York City. Aquarius has executed a five-year lease expiring 31 March 2020. The annual base rental is US$137,970 in the first year and escalates at 3% per year to US$155,286 in the fifth year. The Aquarius increased the rental space by 450 square feet in the New York City office space. This amendment will expire on 31 March 2020 and the annual base rental ranges from US$21,825 to US$23,154.

None of the lease includes contingent rentals.

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued a few of amendments and new standards which are not yet effective for the year ending 30 April 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to Aquarius.

HKFRS 16	Leases[1]
Amendment to HKAS 19	Plan Amendments, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Venture[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of assets between an investor and its associate and joint venture[3]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10	Consolidated Financial Statements and HKAS 28 "Investments in Associates and Joint Ventures", Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 To be determined

Aquarius is in the process of making an assessment of what the impact of these amendments and interpretations is expected to be in the period of initial application. So far Aquarius has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases"

Aquarius enters into some leases as the lessee and accounts for the lease arrangement in accordance with accounting policy disclosed in note 3(e).

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect Aquarius's accounting as a lessee of leases for business premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 May 2019. The standard offers different transition options and practical expedients, including practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, Aquarius will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, Aquarius will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether Aquarius elects to adopt the standard retrospectively or follow a modified retrospective method of recognizing a cumulative-effect adjustment to the opening balance of equity at the date of initial application, Aquarius may or may not need to restate comparative information for any changes in the accounting resulting from the reassessment.

Aquarius does not plan to early adopt the above new standards or amendments. With respect to HKFRS 16, given Aquarius has not completed its assessment of their full impact on the financial statements, their possible impact on Aquarius's results of operations and financial position has not been quantified.

27. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 October 2018, bank borrowings of Aquarius has been rolled over after the renewal of the line of credit with the bank and the outstanding bank borrowings will be matured on November 2019.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Aquarius in respect of any period subsequent to 31 October 2018.

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Target Company, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong set out in Appendix II "Accountants' Report on the Target Company" to this circular, and are included to herein for information only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors on the basis of the notes set out below for the purpose of illustrating the effects of the Acquisition of the entire issued share capital of the Target Company by a wholly owned subsidiary of the Company on the assets and liabilities of the Enlarged Group as if the Acquisition had taken place at 31 December 2018.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2018 or any future dates.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

		Pro forma adjustments			
	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2018	**The Target Company as at 31 October 2018**			**Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Property, plant and equipment	376,838	1,151			377,989
Investment properties	41,061				41,061
Goodwill	33,798		787		34,585
Other intangible assets	11,980		591		12,571
Deferred income tax assets	2,189	342			2,531
Financial assets at fair value through profit or loss	21,746				21,746
Other financial assets at amortised cost	81				81
	487,693				490,564
Current assets					
Inventories	208,656	62,310			270,966
Other current assets	29,174	1,183			30,357
Other financial assets at amortised cost	17,662	2,886			20,548
Trade receivables	215,401	98,183			313,584
Financial assets at fair value through profit or loss	11,078				11,078
Tax recoverable	823	327			1,150
Short-term bank deposits	3,852				3,852
Cash and cash equivalents	97,254	3,633	(54,460)		46,427
	583,900				697,962
Total assets	1,071,593				1,188,526

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2018	Pro forma adjustments: The Target Company as at 31 October 2018			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
LIABILITIES					
Non-current liabilities					
Other payables	2,572				2,572
Borrowings	609				609
Deferred income tax liabilities	3,892		124		4,016
	7,073				7,197
Current liabilities					
Trade and other payables	183,787	50,072		4,016	237,875
Financial liability at fair value through profit or loss	—		15,560		15,560
Amount due to a non-controlling interest	713				713
Borrowings	149,412	47,458			196,870
Current income tax liabilities	16,114	3,719			19,833
	350,026				470,851
Total liabilities	357,099				478,048
Net current assets	233,874				227,111
Net assets	714,494				710,478

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. These balance were extracted from the consolidated balance sheet of the Group as at 31 December 2018 as set out in the annual report of the Company for the year ended 31 December 2018.

2. The assets and liabilities of the Target Company in US$ are extracted from the statement of financial position of the Target Company as at 31 October 2018 as set out in the Accountants' Report in Appendix II to this Circular. For the purpose of this Unaudited Pro Forma Financial Information, these amounts are translated from US$ into HK$ at a rate of US$1 to HK$7.78.

3. For the purposes of this Unaudited Pro Forma Financial Information, it is assumed that the total consideration of the Acquisition amounting US$9,000,000 pursuant to the Sales and Purchase Agreement dated 25 April 2019 is translated from US$ into HK$ at a rate of US$1 to HK$7.78. The total consideration represents the sum of cash consideration of US$7,000,000 (equivalent to approximately HK$54,460,000) and contingent consideration of US$2,000,000 (equivalent to approximately HK$15,560,000), subject to Performance Adjustment being calculated based on the 2019 Net Profit. It is assumed that the cash consideration of US$7,000,000 does not take into account any accountants' audit cost which shall be borne by the Vendor pursuant to the Sales and Purchase Agreement.

   Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. On Completion Date, the identifiable assets and liabilities of the Target Company will be measured at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised) "Business Combinations".

   For the sole purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company has carried out an illustrative purchase price allocation in accordance with HKFRS 3 (Revised) and the goodwill arising from the Acquisition is calculated as follows:

	HK$'000
Consideration transferred:	
Cash consideration (US$7,000,000)	54,460
Contingent consideration (US$2,000,000) *(note a)*	15,560
Total consideration	70,020
Less:	
Identifiable assets and liabilities of the Target Company as at 31 October 2018 *(note b)*	68,766
Intangible asset identified — customer relationship *(note c)*	591
Effect on deferred tax liability arising from the intangible asset identified *(note d)*	(124)
Total identifiable assets to be acquired and liabilities to be assumed	69,233
Goodwill	787

a. Contingent consideration

Pursuant to the Sales and Purchase Agreement, the amount of the contingent consideration to be paid shall be calculated based on the 2019 Net Profit. In the event that the 2019 Net Profit equals or exceeds US$1,500,000, the contingent consideration will be US$2,000,000. In the event that the 2019 Net Profit is less than US$1,500,000, the contingent consideration will be calculated as described on pages 6 to 7 of this circular.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company assumed that the 2019 Net Profit will equal or exceed US$1,500,000. Accordingly, it is assumed that the fair value of the contingent consideration is estimated to be US$2,000,000. The contingent consideration is accounted as "financial liability at fair value through profit or loss".

b. The identifiable assets and liabilities of the Target Company as at 31 October 2018 was HK$68,766,000 which is based on the Accountants' Report in Appendix II to this Circular.

c. ***Identified intangible asset — customer relationship***

For the purpose of this Unaudited Pro Forma Financial Information, the fair values of the identifiable assets and liabilities of the Target Company on 31 December 2018 is based on a valuation report dated 25 April 2019 prepared by an independent valuer. The fair value of the customer relationship arising from the Acquisition approximates HK$591,000 as at 31 December 2018 was determined by using the multi-period excess earnings method. Key assumptions adopted in estimating the fair value of the customer relationship are as follows:

Attrition rate	18.13%
Discount rate	14.61%

d. ***Deferred tax liabilities***

The adjustment on deferred tax liabilities of approximately HK$124,000 is determined based on the difference between the tax base and the fair value of the customer relationship identified of HK$591,000 by applying the Target Company's federal corporate tax rate at 21%.

e. Since the fair values of the contingent consideration and the identifiable assets and liabilities of the Target Company at the Completion Date maybe substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of contingent consideration, goodwill or gain on bargain purchase and the identifiable assets and liabilities to be recognised in connection with the Acquisition may be materially different from the amounts presented above.

Based on internal assessment and with reference to the valuation report, the Directors of the Company do not consider that there was any indication that the goodwill or intangible asset acquired may be impaired in pursuant to Hong Kong Accounting Standard 36 "Impairment of Assets". The Directors of the Company confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the Unaudited Pro Forma Financial Information to assess the impairment of the Enlarged Group's goodwill and intangible asset in the future financial periods ends.

4. The adjustment represents the estimated transaction costs of approximately HK$4,016,000 payable by the Company in connection with the Acquisition. It is assumed that the estimated transaction costs do not take into account any accountants' audit cost which shall be borne by the Vendor pursuant to the Sales and Purchase Agreement.

5. Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the Target Company subsequent to 31 December 2018 and 31 October 2018, respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF MAINLAND HEADWEAR HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mainland Headwear Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and Aquarius, Ltd. (the "Target Company") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-5 of the Company's circular dated 30 April 2019, in connection with the acquisition of the entire issued share capital of the Target Company (the "Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2018 as if the Acquisition had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2018, on which an audit 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").

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Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular 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 Acquisition at 31 December 2018 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.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 April 2019

The following is the management discussion and analysis of the Target Company for the three years ended 30 April 2018 and the six-month period ended 31 October 2018. The following financial information is based on the audited financial statements of the Target Company as set out in Appendix II to this circular.

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

The Target Company was incorporated in 1969 and is principally engaged in the business of trading licensed, company's owned branded and private label accessories to major retailers and specialty stores in the USA. Its headquarters is in St Louis and warehouses are located in St Louis and Los Angeles. The Target Company is one of the leading accessories suppliers in USA and is engaged in designing and marketing accessories for men, women and children.

Major products of the Target Company comprise belts, wallets, small leather goods, bags, backpacks, cold weather gloves, mittens, hats and scarves. Business of the Target Company is operated under two divisions, one for normal accessories (the "**Normal Accessories Division**") and one for cold weather accessories (the "**Cold Weather Accessories Division**"). Each division has its own dedicated team of sales, design and merchandising staff. The Target Company's merchandising team works with its suppliers in China since design and development stage, and its products are sold under its own brand names, licenses or private labels to many US major mass retailers, off price retailers as well as specialty stores. Despite there are a lot of vendors both in USA and China supplying accessories products to USA, only a few of them can have the size as big as the Target Company. Moreover, the Target Company is able to maintain its competitive edge over its competitors by its innovative designs, good quality, right pricing strategy as well as good reputation in the industry. In addition, more than 90% of Target Company's products are manufactured and imported from China, and many of them are subject to the tariffs by USA customs under the recent trade war between China and USA. The Target Company expects to maintain stable gross profit margin by increasing the selling prices and is confident that its operations will not be seriously affected by the tariffs.

The Group has experienced a remarkable growth in turnover in trading business in USA market in the year ended 31 December 2018, and the growth was mainly contributed to its subsidiary, H3 Sportgear LLC, which is mainly engaged in trading of licensed and private label headwear products to USA major retailers. The Group expects that there will be synergy in sales and cost saving opportunities between the Target Company and the Group as the customer base, product mix, license portfolio of the Target Company and the Group are supplementary to each other, and the Group can share talents and resources of the Target Company in design, warehouse and back offices.

The Target Company, after becoming one of the Group members, will continue to focus on retail market and will leverage with the Group's sales channels, design capability and license portfolio to increase sales and streamline operation process. The Target

Company will continue to focus on getting new and popular licenses and developing more designs for its products which can meet the market trend to further increase its market share in the USA.

FINANCIAL REVIEW

Set out below is the financial performance of the Target Company for the relevant periods as extracted from the accountant's report on the Target Company in Appendix II to this circular:

	Years ended 30 April			Six months ended 31 October	
	2016	**2017**	**2018**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)	*US$'000*
Revenue	32,599	31,019	34,688	19,203	21,839
Cost of sales	(22,925)	(21,637)	(23,751)	(12,595)	(14,969)
Gross profit	9,674	9,382	10,886	6,608	6,870
Other income	18	7	2	1	2
Selling and distribution expenses	(2,182)	(1,966)	(1,995)	(797)	(964)
General and administrative expenses	(5,914)	(5,715)	(6,907)	(2,873)	(3,599)
Product development costs	(1,073)	(1,212)	(1,350)	(687)	(604)
Profit from operations	523	496	636	2,252	1,705
Finance costs	(94)	(71)	(131)	60	(112)
Profit before taxation	429	425	505	2,192	1,593
Income tax expenses	(156)	(152)	(190)	(785)	(478)
Profit for the year/period	273	273	315	1,407	1,115

REVENUE

The revenue of the Target Company is derived from trading of its accessories products to USA retailers and specialty stores. Since many major customers of the Target Company are off price retailers whose business are not sensitive to the fluctuation of economic cycle, revenue of approximately US$32.6 million and US$31.0 million were recorded in the year ended 30 April 2016 and year ended 30 April 2017 respectively. Following the Target Company's strong determination to boost sales by devoting more resources in sales and design department, its revenue increased by approximately 12% from approximately US$31.0 million for the year ended 30 April 2017 to approximately US$34.7 million for the year ended 30 April 2018, and the growth momentum continued in the six months ended 31 October 2018, revenue of approximately US$21.8 million was recorded during this period, representing an approximately 13.5% increase comparing to same period of 2017. This impressive growth was attributable to the joint efforts of sales and design department of the Target Company as well as increase of sales orders from one major USA retailer for its cold weather accessories products under one popular license.

During the periods under review, around 80% of the Target Company's revenue was generated from the Normal Accessories Division, and 20% was from the Cold Weather Accessories Division. And for sales from the Cold Weather Accessories Division, almost 80% of them were made in August to October each year, resulting in revenue and results of the Target Company for the first half of financial year was relatively stronger and better than second half for each of the financial years from 2016 to 2018.

COST OF SALES

The cost of sales of the Target Company primarily comprises of costs of inventories, royalties and licenses, customer allowances, warehouse wages and outside warehouse rent and labor, and it was well controlled by the experienced and stable management team of the Target Company during the periods of review. The percentage of cost of sales to sales for the years ended 30 April 2016, 2017, 2018 and six months ended 31 October 2017 and 2018 were approximately 70.3%, 69.8%, 68.5%, 65.6% and 68.5% respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

For each of the years ended 30 April 2016, 2017 and 2018 and each of six months ended 31 October 2017 and 2018, the Target Company recorded gross profit of approximately US$9.7 million, US$9.4 million, US$10.9 million, US$6.6 million and US$6.9 million respectively and the gross profit margin was approximately 29.7%, 30.2%, 31.4%, 34.4% and 31.5% respectively, for the same periods. As most of the products were manufactured in China, the depreciation trend of Renminbi during the past three years offered some advantages to the Target Company when it negotiated and placed orders to the vendors, it explained the slight increase in gross profit margin each year from the year ended 30 April 2016 to year ended 30 April 2018. However, the Target Company lowered its gross profit margin for the six months ended 31 October 2018 to induce more sales, and gross profit and gross profit margin for this period was approximately US$6.9 million and 31.5% respectively, whereas in the same period in 2017, they were approximately US$6.6 million and 34.4%.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly represent salesmen' salaries and commission, travelling and entertainment expenses, as well as trade show expenses and promotion costs. These expenses in each of the years ended 30 April 2016, 2017 and 2018 and each of six months ended 31 October 2017 and 2018 were approximately US$2.2 million, US$2.0 million, US$2.0 million, US$0.8 million and US$1.0 million respectively. Benefited from economic of scale as the revenue increased, the percentage of these expenses to sales dropped from approximately 6.3% for the year ended 30 April 2017 to approximately 5.8% in the year ended 30 April 2018, and approximately 4.4% for the six months ended 31 October 2018.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised mainly office salaries and rental expense for the headquarters and warehouse located in St Louis. These expenses in each of the years ended 30 April 2016, 2017 and 2018 and each of six months ended 31 October 2017 and 2018 were approximately US$5.9 million, US$5.7 million, US$6.9 million, US$2.9 million and US$3.6 million respectively. The increase in these expenses in the year 30 April 2018 compared with that of 2017 was mainly due to the increase of director's bonus of approximately US$0.5 million and increase in officers' salary of approximately US$0.4 million, as well as increase in warehouse rental expense of approximately US$0.1 million. For the six months ended 31 October 2018, the increase in the expenses comparing with same period of 2017 was mainly due to an accrual for director's year end bonus of US$0.3 million and the increase in office staff salaries of approximately US$0.2 million.

PRODUCT DEVELOPMENT COSTS

Product development costs mainly represent designers' salaries and sample expenses. These expenses in each of the years ended 30 April 2016, 2017 and 2018 and each of six months ended 31 October 2017 and 2018 were approximately US$1.1 million, US$1.2 million, US$1.4 million, US$0.7 million and US$0.6 million respectively. Relatively higher product development costs were incurred in the year of 2018, it was due to more resources has been put in experienced designers to make more product designs which can meet the latest customers' taste in the USA.

NET PROFIT FOR THE YEAR/PERIOD

For each of the years ended 30 April 2016, 2017 and 2018 and each of six months ended 31 October 2017 and 2018, the Target Company recorded net profit of approximately US$0.3 million, US$0.3 million, US$0.3 million, US$1.4 million and US$1.1 million respectively. As (i) majority of sales from the Cold Weather Accessories Division were made in the first half of the financial year; and (ii) director bonus of approximately US$0.5 million and US$1.0 million had been booked at the year end of financial years of 2017 and 2018 respectively, these two factors resulted in higher net profit of the Target Company for the first half of the financial year than that of the full financial years.

ASSETS AND LIABILITIES

Set out below is the current assets and liabilities of the Target Company for the relevant periods as extracted from the accountant's report on the Target Company in Appendix II to this circular:

	As at 30 April 2016	As at 30 April 2017	As at 30 April 2018	As at 31 October 2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets	196	158	203	192
Current assets				
Inventories	5,850	5,319	7,200	8,009
Trade and other receivables	7,191	7,692	8,370	13,143
Tax recoverable	—	21	—	42
Cash and cash equivalents	23	149	131	467
	13,064	13,181	15,701	21,661
Current liabilities				
Trade and other payables	3,722	4,830	5,549	6,436
Bank borrowings	2,361	1,100	2,630	6,100
Tax payables	41	—	1	478
	6,124	5,930	8,180	13,014
Net current assets	6,940	7,251	7,521	8,647
Non-current liabilities	—	—	—	—
Net assets	7,136	7,409	7,724	8,839

The Target Company's net assets increased by approximately US$0.3 million each year from approximately US$7.1 million as at 30 April 2016 to approximately US$7.4 million and further to approximately US$7.7 million as at 31 April 2018, it was due to the net profit made by the Target Company during each of the respective financial years.

Since most of the sales from the Cold Weather Accessories Division were made in August to October each year, and the credit terms that the Target Company granted to customers are NET 30 to 60 days, the accounts receivable as at 31 October each year would be much higher than that as at 30 April each year. This results in the sharp increase in trade and other receivable balance to approximately US$13.1 million as at 31 October 2018, when comparing with the balances as at 30 April 2016, 2017 and 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The principal sources of funding for the operation of the Target Company have been internally generated funds and borrowings. As at 30 April 2016, 2017, 2018 and 31 October 2018, the Target Company had cash and cash equivalents of approximately US$23,000, US$149,000, US$131,000 and US$467,000 and all of them were denominated in US$.

The bank borrowings which were denominated in US$ as at 30 April 2016, 2017, 2018 and 31 October 2018 were approximately US$2.4 million, US$1.1 million, US$2.6 million and US$6.1 million respectively. The gearing ratios (calculated as total bank borrowing amount divided by shareholders' equity) were approximately 33.1%, 14.8%, 34.0% and 69.0% respectively as at 30 April 2016, 2017, 2018 and 31 October 2018. Owing to the seasonal sales pattern of cold weather accessories, bank borrowings started to climb from July each year for purchases of inventories, and it reached the highest point in October when the peak season of sales of cold weather accessories ended. The level of bank borrowings then came down gradually to normal level in December following the settlement of trade payables from customers of cold weather accessories.

The Target Company did not experience any difficulties in rolling over its banking facilities for the periods under review.

BANK BORROWINGS

The Target Company has obtained a bank line with the Privatebank and Trust Company, a wholly owned subsidiary of Canadian Imperial bank of Commerce, 10 years ago. The maximum bank borrowing is US$10 million and the note is interest bearing at prime rate minus 0.5% (the Base Rate), or the greater of (i) the LIBOR rate plus 2% or (ii) a minimum LIBOR rate of 3% (the Adjusted LIBOR Rate) subject to the Target Company's decision. During the periods under review, all the bank borrowings were charged at prime rate minus 0.5%. The line of credit is secured by accounts receivable and inventory. Further information on the bank borrowings is set out in note 19 to the accountant's report on the Target Company in Appendix II to this circular.

FOREIGN EXCHANGE EXPOSURE

A discussion on the foreign exchange risk is set out in note 22(b)(iv) to accountants' report on the Target Company in Appendix II to this circular. During the periods of review, the Target Company did not have any financial instruments for hedging purpose, currency borrowings or other hedging instruments.

CAPITAL COMMITMENTS

As at 30 April 2016, 30 April 2017, 30 April 2018 and 31 October 2018, the Target Company did not have any significant capital commitments.

TREASURY POLICY

For the three years ended 30 April 2016, 30 April 2017, 30 April 2018 and the six months ended 31 October 2018, the Target Company did not have any formal treasury policy or hedging arrangement.

INFORMATION ON EMPLOYEES

As at 30 April 2016, 30 April 2017, 30 April 2018 and 31 October 2018, the Target Company had a total of 91, 92, 92 and 97 employees respectively, including the director. Total staff cost (including director's emoluments) for the three years ended 30 April 2018 and six months ended 31 October 2018 were approximately US$8.2 million, US$7.9 million, US$9.0 million and US$4.0 million respectively. Remuneration is determined with referenced to market norms as well as individual employee's performance, qualification and experience.

The remuneration to the employees includes salaries, bonuses and other allowances and benefits in kind. The Target Company provides its personnel formal and on-the-job training to enhance their technical skills as well as knowledge of industry quality standard.

The director and senior management of the Target Company receive compensation in the form of salaries, bonuses, contributions to 401K retirement plan and other allowances and benefit in kind subject to applicable laws, rules and regulations. The aggregate amounts of emoluments (including fees, salaries and other benefits in kind) paid to the director for the three years ended 30 April 2018 and six months ended 31 October 2018 was approximately US$0.9 million, US$0.8 million, US$1.2 million and US$0.1 million respectively.

As of 31 October 2018, headcount of sales, design, merchandising and purchase, warehouse and logistics and back office departments are 19, 20, 9, 36 and 13 respectively.

Further information on staff cost and remuneration of the director is set out in note 7(b) and note 9 to the accountants' report on the Target Company in Appendix II to this circular.

According to the current plan, appropriate compensation package will be provided to ensure management and the employees of the Target Company will remain in the Target Company after completion of the Acquisition so as to ensure stable operation of the Target Company's business.

CHARGE OF ASSETS

Save as securities provided for bank borrowings of the Target Company as disclosed in note 20 to the accountant's report on the Target Company in Appendix II to this circular, there was no charge on the Target Company's assets as at 30 April 2016, 30 April 2017, 30 April 2018 and 31 October 2018.

CONTINGENT LIABILITIES

The Target Company had no material contingent liabilities as at 30 April 2016, 30 April 2017, 30 April 2018 and 31 October 2018.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Target Company did not have any significant investment, material acquisition or disposal for the years ended 30 April 2016, 30 April 2017, 30 April 2018 and for the six months ended 31 October 2018, nor any future plans for material investments or capital assets.

FUTURE PLANS

The Target Company, as one of the major accessories suppliers in the US, has a solid and diversified customer base as well as an experienced and stable management team. After acquisition, the Target Company will leverage the Group's existing sales channels, licence portfolio, sourcing and design capability to streamline its operation process and to further diversify its product mix so as to increase its market share and strengthen its leading position in the industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director	Number of Shares Personal interest	Other interest	Number of Underlying shares	Total	Percentage of interest
Mr. Ngan Hei Keung ("Mr. Ngan")		219,952,000 *(notes 1, 2)*	50,800,000 *(notes 3, 4)*	270,752,000	66.80%
Madam Ngan Po Ling, Pauline *BBS, JP*	36,252,000 *(note 2)*	183,700,000 *(note 1)*	50,800,000 *(notes 3, 4)*	270,752,000	66.80%
Mr. James S. Patterson			2,000,000 *(note 5)*	2,000,000	0.49%
Ms. Maggie Gu			2,200,000 *(note 6)*	2,200,000	0.54%
Mr. Ngan Siu Hon, Alexander			2,000,000 *(note 7)*	2,000,000	0.49%

Notes:

(1) 183,700,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan and Madam Ngan as to 40% and 60% respectively.

(2) The 36,252,000 shares are beneficially owned by Madam Ngan.

(3) Pursuant to the contingent purchase deed renewed on 30 September 2014 between Mr. Ngan, Madam Ngan and NEHK, NEHK is entitled to require Mr. Ngan and Madam Ngan to purchase up to 39,800,000 shares on the terms and conditions of the said deed.

(4) Mr. Ngan and Madam Ngan are entitled to subscribe for 5,000,000 shares and 6,000,000 shares respectively pursuant to the outstanding options granted under the Company's share options scheme.

(5) Mr. James S. Patterson is entitled to subscribe for 2,000,000 shares pursuant to the outstanding options granted under the Company's share options scheme.

(6) Ms. Maggie Gu is entitled to subscribe for 2,200,000 shares pursuant to the outstanding options granted under the Company's share options scheme.

(7) Mr. Ngan Siu Hong, Alexander is entitled to subscribe for 2,000,000 shares pursuant to the outstanding options granted under the Company's share options scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares at general meetings of any member of the Group:

Long positions in Shares and underlying Shares

Name	Capacity	Number of Shares	Percentage of interest
Successful Years International Co., Ltd. *(note 1)*	Beneficial owner	183,700,000	45.35%
Mr. Christopher Koch *(note 2)*	Interest of a controlled corporation	79,601,000	19.65%
NEHK *(note 2)*	Beneficial owner	79,601,000	19.65%

Notes:

1. Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan as to 40% and 60% respectively. The interests of Mr. Ngan Hei Keung and Madam Ngan in the Shares and underlying Shares of the Company have been disclosed in the section 2(a) of this Appendix. Mr. Ngan Hei Keung and Madam Ngan are directors of Successful Years International Co., Ltd.

2. Mr. Christopher Koch owns 75% of the issued share capital of NEHK. As such, Mr. Christopher Koch is deemed to be interested in the 79,601,000 shares.

Short positions in the underlying Shares:

Name	Number of underlying Shares	Percentage of interest
Mr. Christopher Koch	39,800,000 *(note)*	9.83%
NEHK	39,800,000 *(note)*	9.83%

Note: Pursuant to the contingent purchase deed dated 30 September 2014 between Mr. Ngan, Madam Ngan and NEHK, NEHK is entitled to sell up to 39,800,000 shares to Mr. Ngan and Madam Ngan on the terms and conditions of the said deed. In view of Mr. Koch's 75% shareholding interest in NEHK, Mr. Koch is also taken to have interest in short position of 39,800,000 underlying shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares at general meetings of any member of the Group.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest audited financial statements of the Company were made up.

6. EXPERTS AND CONSENT

Each of Crowe (HK) CPA Limited and PricewaterhouseCoopers Hong Kong has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they appear.

The following is the qualification of the experts who have provided their advice, which is contained in this circular:

Name	Qualification
Crowe (HK) CPA Limited	Certified Public Accountants
PricewaterhouseCoopers Hong Kong	Certified Public Accountants

As at the Latest Practicable Date, each of Crowe (HK) CPA Limited and PricewaterhouseCoopers Hong Kong was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2018), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any other litigation or claims of material importance known to the Directors to be pending or threatened against the Enlarged Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the issue of this circular and are or may be material:

(a) the Sale and Purchase Agreement;

(b) the tenancy agreement dated 21 March 2019 entered into between Mainland Sewing Headwear Manufacturing Limited (as tenant) and Mainland Sewing Mills Co. Ltd (as landlord) in respect of the premises located at Room 1001–1005, 10/F, Tower 2, Enterprise Square 1, Kowloon Bay, Hong Kong at month rent of HK$130,000 for a term of three years;

(c) the tenancy agreement dated 21 March 2019 entered into between Mainland Sewing Headwear Manufacturing Limited (as tenant) and Mr. Ngan Hei Keung and Madam Ngan (as landlords) in respect of the premises located at Unit 813, 8/ F, Wing Fat Industrial Building, 12 Wang Tai Road, Kowloon Bay, Hong Kong at monthly rent of HK$16,800 for a term of three years;

(d) the letter of intent dated 10 December 2018 entered into among the Company, the Vendor and the Target Company in relation to the Acquisition;

(e) the agreement dated 30 September 2014 between United Crown International Macao Commercial Offshore Limited (released as a party to the agreement on 10 September 2015), Wintax Trading Limited and the Company of one part and New Era Cap Co., Inc., NEC and New Era Cap Hong Kong, LLC of the other part in relation to the supply of products with setting of annual caps of amounts US$545,761,000 and US$661,300,000 for the years ended 31 December 2018 and 31 December 2019 respectively;

(f) the agreement dated 20 July 2017 between San Diego Hat Company and TFW Construction/Development, Inc. in relation to the construction of a building in the USA ("Building") with total construction cost of US$7,107,137;

(g) the development consulting agreement dated 20 July 2017 between San Diego Hat Company and RAF Pacifica Group in relation to the design of the Building (as defined under paragraph (f) above) with total service fee of US$2,436,509; and

(h) the assignment agreement dated 20 July 2017 between San Diego Hat Company (as assignee) and RAF Pacifica Group (as assignor) in relation to purchase of a parcel of land for construction of the Building (as defined under paragraph (f) above) at a consideration of US$5,875,000.

9. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the head office and principal place of business in Hong Kong of which is at Rooms 1001–1005, 10th Floor, Tower II, Enterprise Square I, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

(b) The principal share registrar and transfer office of the Company is HSBC Securities Services (Bermuda) Limited at 6 Front Street, Hamilton HM 11, Bermuda. and the Hong Kong branch share registrar and transfer office of which is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Ms. Chan Hoi Ying who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) The English text of this circular shall prevail over their respective Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum and bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2016, 2017 and 2018;

(c) the report issued by Crowe (HK) CPA Limited in relation to the financial information on the Target Company, the text of which is set out in Appendix II to this circular;

(d) the report from PricewaterhouseCoopers Hong Kong on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the material contracts referred to under the paragraph "8. Material contracts" in this appendix; and

(f) the written consents from experts referred in the paragraph headed "6. Experts and consent" in this appendix.