GROWN UP GROUP INVESTMENT HOLDINGS LIMITED
植華集團投資控股有限公司

(incorporated in the Cayman Islands with limited liability)
stock code: 1842

SHARE OFFER

Sole Sponsor

德健融資有限公司 DAKIN CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers

德健證券有限公司 DAKIN SECURITIES LIMITED

Opus Capital Limited 創富融資有限公司

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

金猴證券 HKMonkey.com

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

Grown Up Group Investment Holdings Limited
植華集團投資控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Total number of Offer Shares	**:**	**250,000,000 Shares comprising 170,000,000 new Shares and 80,000,000 Sale Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**25,000,000 Shares (subject to re-allocation)**
Number of Placing Shares	**:**	**225,000,000 Shares including 145,000,000 new Shares and 80,000,000 Sale Shares (subject to re-allocation and the Over-allotment Option)**
Offer Price	**:**	**HK$0.5 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1842**

Sole Sponsor

德健融資有限公司 DAKIN CAPITAL LIMITED

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

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

The Offer Price is currently fixed at HK$0.5 per Offer Share unless otherwise announced. Investors applying for Offer Shares must pay, on application, the Offer Price of HK$0.5 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters) have the right in certain circumstances to terminate the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus.

13 June 2019

2019[(1)]

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[(2)]	11:30 a.m. on Tuesday, 18 June
Application lists open[(3)]	11:45 a.m. on Tuesday, 18 June
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, 18 June
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[(2)]	12:00 noon on Tuesday, 18 June
Latest time to give electronic application instructions to HKSCC[(4)]	12:00 noon on Tuesday, 18 June
Application lists close[(3)]	12:00 noon on Tuesday, 18 June
Announcement of the indication of level of interest in the Placing, the results of applications in the Public Offer and the basis of allocation under the Public Offer to be published on the website of our Company at **www.grown-up.com**[(5)]; and (iii) on the website of the Stock Exchange at **www.hkexnews.hk**[(6)] on or before	Thursday, 27 June
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares — 11. Publication of results" from	Thursday, 27 June

2019[(1)]

Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on	Thursday, 27 June
Despatch of share certificates of the Public Offer Shares or deposit of share certificates of the Public Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[(7)]	Thursday, 27 June
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before[(8)]	Thursday, 27 June
Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 28 June

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, our Company will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at **www.hkexnews.hk**[(6)] and our Company's website at **www.grown-up.com**[(5)].

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 18 June 2019, the application lists will not open and close on that day. Please refer to the section headed "How to apply for the Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.

4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

5. None of the information contained on any website forms part of this prospectus.

6. The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the website of the Stock Exchange at **www.hkexnews.hk**.

7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

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

Share certificates for the Share Offer will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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

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

Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. Our backpack and luggage products under such product portfolio are categorised into: (i) private label products; and (ii) branded products covering licensed brand products and proprietary *Ellehammer* brand products. These products catered to kid, teen, sports, leisure, business, travel and technical segments. According to the CIC Report, we ranked the eighth among the OEM, ODM and OBM companies headquartered in China for backpack and luggage products with a market share of approximately 0.71% based on our ex-factory revenue in 2018. The table below further explains our business model:

Product portfolio	**Business model adopted**
Private label products	OEM & ODM
Branded products	ODM for licensed brand products pursuant to the licensing arrangements with internationally renowned brand licensors, including Licensor A, Licensor B and Licensor C. OBM for proprietary *Ellehammer brand* products

We commenced our business in 1989. Our head office is based in Hong Kong and our production facilities are located in Shenzhen, Guangdong Province and Ganzhou, Jiangxi Province, the PRC. We have a sales and marketing office in Aarhus, Denmark. We also have three showrooms located in our head office in Hong Kong, our sales and marketing office in Aarhus, Denmark and our global development and supply chain centre in Shenzhen, the PRC, respectively.

Apart from direct sales to private label customers, we also adopt a hybrid marketing system under which we use both self-operated distribution channel and third party distributors to sell our branded products. Our self-operated distribution channel based in our sales and marketing office in Aarhus, Denmark, it sells products mainly to wholesalers and retailers in Europe. In the majority of our geographical markets, we adopt the strategy of engaging third party distributors to distribute our branded products in their respective local markets whereby we could leverage on their established distribution networks to penetrate into the relevant markets in a more expedient and cost-effective manner.

During the Track Record Period, we experienced steady growth in our revenue. For the years ended 31 December 2016, 2017 and 2018, our revenue amounted to approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively.

The following table sets forth the revenue, gross profit and gross profit margin by product for the years indicated:

	For the year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Backpack and others	349,853	55.5	87,625	25.0	389,832	59.1	101,248	26.0	381,905	56.4	107,361	28.1
Luggage	280,517	44.5	35,454	12.6	270,216	40.9	39,654	14.7	295,559	43.6	47,539	16.1
Total	630,370	100.0	123,079	19.5	660,048	100.0	140,902	21.3	677,464	100.0	154,900	22.9

The following table below sets forth the breakdown of our revenue, gross profit and gross profit margin by product portfolio and distribution channel:

	For the year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label products	397,732	63.1	47,670	12.0	429,754	65.1	47,887	11.1	514,392	75.9	75,572	14.7
Branded products												
– Licensed brand products	108,338	17.2	47,954	44.3	139,677	21.2	68,390	49.0	139,158	20.6	72,536	52.1
• Third party distributors	74,501	11.8	27,280	36.6	92,181	14.0	38,524	41.8	82,489	12.2	44,288	53.7
• Third party wholesalers and retailers	–	–	–	–	–	–	–	–	116	–	68	58.6
• Self-operated distribution channel *(Note)*	33,837	5.4	20,674	61.1	47,496	7.2	29,866	62.9	56,553	8.4	28,180	49.8
– *Ellehammer* brand products	124,300	19.7	27,455	22.1	90,617	13.7	24,625	27.2	23,914	3.5	6,792	28.4
• Third party distributors	121,985	19.3	26,939	22.1	89,887	13.6	24,467	27.2	20,761	3.1	5,628	27.1
• Self-operated distribution channel *(Note)*	2,315	0.4	516	22.3	730	0.1	158	21.6	3,153	0.4	1,164	36.9
Subtotal	232,638	36.9	75,409	32.4	230,294	34.9	93,015	40.4	163,072	24.1	79,328	48.6
Total	630,370	100.0	123,079	19.5	660,048	100.0	140,902	21.3	677,464	100.0	154,900	22.9

Note: Our self-operated distribution channel is operated by BBM APS and BBM GMBH.

Our customers

We have built a diverse customer portfolio comprising private label customers, distributors, wholesalers and retailers. We sell a wide range of backpack and luggage products to customers located primarily in the North America, Europe, the Middle East and the PRC. For each of the year ended 31 December 2016, 2017 and 2018, our products were sold to 56, 58 and 59 countries on a direct sales basis, respectively. Our sales to our top five customers for the years ended 31 December 2016, 2017 and 2018 accounted for approximately 69.5%, 63.9% and 57.5% of our total sales, respectively, and our sales to our largest customer accounted for approximately 28.5%, 28.7% and 32.8% of our total sales of the corresponding years, respectively. We have developed a stable business relationship with our top five customers during the Track Record Period ranging from two to 15 years. Further details of our customers are set forth in the section headed "Business — Our customers" in this prospectus.

Our suppliers

Our suppliers include raw material suppliers and subcontractors. Our purchases from our top five suppliers for the years ended 31 December 2016, 2017 and 2018 accounted for approximately 46.6%, 40.6% and 34.9% of total purchases, respectively, and our purchases from our largest supplier accounted for approximately 12.7%, 15.8% and 11.7% of our total purchases of the corresponding years, respectively. Our top five suppliers during the Track Record Period have maintained a business relationship with us for two to seven years. We sourced our raw materials from suppliers mainly located in the PRC, Taiwan and South Korea. For the years ended 31 December 2016, 2017 and 2018, we purchased from 125, 146 and 134 raw material suppliers, respectively.

We have two types of subcontractors, namely on-site subcontractors and off-site subcontractors, which conducted the designated production processes either on-site in our Jiangxi Factory or with their own production facilities. For the years ended 31 December 2016, 2017 and 2018, we had three on-site subcontractors and 35, 49 and 55 off-site subcontractors, respectively.

Further details of our raw material suppliers and subcontractors are set forth in the section headed "Business — Our suppliers" in this prospectus.

Production facilities

Our production facilities include our Shenzhen Factory and Jiangxi Factory in the PRC, which had three and 27 production lines as at the Latest Practicable Date, respectively. The scale of production in our Shenzhen Factory is smaller primarily because the cost of labour in Shenzhen is higher than in Jiangxi. As at the Latest Practicable Date, we outsourced the production of hard side luggage to our subcontractors as we had not invested in such production machinery.

The following table sets forth the estimated maximum production capacity, actual production volume and average utilisation rate of our in-house production facilities during the Track Record Period:

	For the year ended 31 December								
	2016			2017			2018		
Production facilities	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*
	(pieces)	*(pieces)*	*(%)*	*(pieces)*	*(pieces)*	*(%)*	*(pieces)*	*(pieces)*	*(%)*
Shenzhen Factory	239,700	153,054	63.9	237,000	212,670	89.7	157,000	141,256	90.0
Jiangxi Factory	6,821,100	6,325,039	92.7	7,434,000	7,254,478	97.6	8,438,000	8,231,737	97.6
Total	7,060,800	6,478,093	91.7	7,671,000	7,467,148	97.3	8,595,000	8,372,993	97.4

Notes:

(1) Estimated maximum production capacity for a given year is calculated by multiplying the designed monthly production capacity (based on the assumption of 23.5 planned production days per month) by the total number of months in the given year.

(2) Utilisation rate for a given year is calculated by dividing the actual production volume for the year by the estimated maximum production capacity for the year.

Our cost structure

During the Track Record Period, our cost of sales consisted of (i) cost of inventories sold; (ii) labour costs; (iii) transportation and freight charges; (iv) rent and rates; and (v) depreciation. For the years ended 31 December 2016, 2017 and 2018, our total cost of sales amounted to approximately HK$507.3 million, HK$519.1 million and HK$522.6 million, respectively. During the Track Record Period, cost of inventories sold and labour costs were the major components of our total cost of sales. Our cost of inventories sold mainly comprised cost of finished goods, cost of raw materials and subcontracting charges. Our cost of inventories sold represented the largest component of our cost of sales, accounting for approximately 81.2%, 81.5% and 82.4% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively. Our labour costs consist of wages and benefits of our employees and staff engaged in production activities which accounted for approximately 15.0%, 14.7% and 13.8% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively. Further details on the breakdown of our cost of sales are set forth in the section headed "Financial Information — Results of operations — Cost of sales" in this prospectus.

SALES AND MARKETING

The following table sets out our revenue breakdown by geographical regions during the Track Record Period. During the years ended 31 December 2016, 2017 and 2018, our private label and branded products were sold to 56, 58 and 59 countries on a direct sales basis, respectively. The revenue is considered as deriving from a particular geographical region based on the location of the private label customer or the distributor, wholesale or retailer is based.

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
North America *(Note 1)*	265,535	42.1	285,820	43.3	327,902	48.4
Europe *(Note 2)*	248,699	39.5	250,338	37.9	230,979	34.1
The PRC	42,423	6.7	48,832	7.4	47,196	7.0
Middle East *(Note 3)*	36,543	5.8	28,855	4.4	20,710	3.0
Others *(Note 4)*	37,170	5.9	46,203	7.0	50,677	7.5
Total	630,370	100.0	660,048	100.0	677,464	100.0

Notes:

1. North America includes the U.S., Canada and Mexico.
2. Europe mainly includes the Netherlands, Germany, Denmark and France.
3. Middle East mainly includes United Arab Emirates and Iraq.
4. Others mainly include Singapore, South Korea, Australia, Philippines, Peru and Chile.

Third party distributors

Distributorship arrangement

We predominately adopt distributorship sales strategy in most of our targeted markets as distributorship arrangement allows us to save costs in negotiating with and managing local retailers and we are able to expand our sales network in a quick and effective manner by leveraging on local market knowledge, established network and sales channels of our distributors. Pursuant to the CIC Report, distributorship arrangement is common in the backpack and luggage industry. Under our distributorship arrangement, we sell the branded products on an outright basis to our distributors. We recognise revenue from the sales of goods to our distributors upon delivery of our branded products. Our relationship with each of our distributors is generally one of seller and buyer.

Management of distributors

We have no ownership or managerial control over the distribution networks of our distributors and we manage our distribution networks through monitoring our distributors' compliance with the terms in our distribution agreements.

For the years ended 31 December 2016, 2017 and 2018, we had a total of 63, 56 and 54 third party distributors, respectively. The decrease in number of distributors during the year ended 31 December 2017 was mainly due to our intention to focus on a smaller number of distributors and to deepen our cooperation with them. For each of the years ended 31 December 2016, 2017 and 2018, our branded products were sold to 97, 91 and 83 countries through our third party distributors.

Pricing policies

For the private label products, we offer our price quotations to customers on a case-by-case basis based on our negotiation with each of them. For the branded products, our commercial directors are generally authorised to offer our distributors a permissible range of discount to our pre-determined selling price, on a case by case basis. For a discount which is beyond the permissible range, our sales and marketing team would seek authorisation from our management team.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe our success and potential for further growth are attributable to our following competitive strengths: (i) global licensing strategy and strong standing relationships with internationally renowned brand licensors; (ii) strong design, research and development capabilities; (iii) our streamlined production process allows us to manage our costs effectively; (iv) extensive and diverse international sales network for our branded products with a hybrid of third party distributors and self-operated distribution channel; and (v) experienced management team with comprehensive industry, market and product knowledge and a proven track record. For further details of our competitive strengths, please refer to the section headed "Business — Competitive strengths" in this prospectus.

Our principal business objective is to strengthen our position in the backpack and luggage industry. We intend to achieve these objectives by implementing the following strategies: (i) increase our product offerings through obtaining new licence rights from internationally renowned brand licensors; (ii) expand and strengthen our presence in the licensed brand product segment; (iii) enhance our design and development capabilities; (iv) expand our sales and marketing network; (v) enhance and expand our manufacturing capabilities; and (vi) enhance our information technology management system to improve operational efficiency. For further details of our business strategies, please refer to the section headed "Business — Our business strategies" in this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets out a summary of the results of operation for our Group during the Track Record Period. For further details of our financial performance, please refer to the Accountant's Report in Appendix I to this prospectus.

Highlights of consolidated statements of comprehensive income

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	630,370	660,048	677,464
Gross profit	123,079	140,902	154,900
Profit from operations	33,763	40,354	41,592
Profit before income tax	29,503	35,627	36,142
Profit for the year	24,618	28,329	27,119
Profit and other comprehensive income for the year	23,889	30,848	25,651

Our revenue was generated from sales of a diverse portfolio of backpack and luggage products and increased throughout the Track Record Period. For the years ended 31 December 2016, 2017 and 2018, our revenue amounted to approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively, while the profit and other comprehensive income for the respective years were approximately HK$23.9 million, HK$30.8 million and HK$25.7 million, respectively.

Non-HKFRS measure

During the Track Record Period, we recognised our Listing expenses in administrative expenses in the profit or loss. Such Listing expenses are non-recurring in nature, so we have made adjustment to exclude such expenses for the years presented for illustrative purpose (unaudited in nature). The profit for the year (excluding Listing expenses) is not a measure of performance under HKFRS.

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	24,618	28,329	27,119
Add: Listing expenses	–	1,921	12,995
Profit for the year (excluding Listing expenses)	24,618	30,250	40,114

For the years ended 31 December 2016, 2017 and 2018, our profit for the year, excluding Listing expenses, amounted to approximately HK$24.6 million, HK$30.3 million and HK$40.1 million, respectively.

As a non-HKFRS measure, the profit for the year (excluding Listing expenses) is presented because our management believes that such information will be helpful for investors in assessing the profit for the year by eliminating the effects of non-recurring Listing expenses. The use of profit for the year (excluding Listing expenses) has limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year and should not be considered in an isolated form, or as a substitute for an analysis of our financial results, performance or liquidity presented under HKFRS.

Highlights of consolidated statements of financial position

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Total non-current assets	79,600	84,103	89,704	88,807
Total current assets	318,500	309,808	338,273	271,815
Total non-current liabilities	22,524	18,369	23,896	20,692
Total current liabilities	256,850	301,128	324,016	266,458
Net current assets	61,650	8,680	14,257	5,357
Total equity	118,726	74,414	80,065	73,472

Our net current assets position decreased from approximately HK$61.7 million as at 31 December 2016 to approximately HK$8.7 million as at 31 December 2017, representing a decrease of approximately HK$53.0 million Our total equity position decreased from approximately HK$118.7 million as at 31 December 2016 to approximately HK$74.4 million as at 31 December 2017, representing a decrease of approximately HK$44.3 million. The decrease in net current assets and total equity as at 31 December 2017 was mainly attributable to (i) declaration of dividend of HK$40.0 million and (ii) the deemed distribution to the immediate holding company of approximately HK$35.2 million during the year ended 31 December 2017. Such dividend and deemed distribution were settled through crediting to the current account with the immediate holding company.

Highlights of consolidated statements of cash flows

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	48,553	42,670	15,980
Net cash used in investing activities	(35,569)	(41,822)	(23,910)
Net cash generated from/(used in) financing activities	(16,522)	(2,481)	616
Net decrease in cash and cash equivalents	(3,538)	(1,633)	(7,314)
Cash and cash equivalents at the beginning of the year	12,105	8,978	5,749
Exchange differences	411	(1,596)	2,173
Cash and cash equivalents at the end of the year	8,978	5,749	608

For further details in relation to the trade receivables and trade payables, please refer to "Financial information — Discussion on selected balance sheet items — Trade and other receivables" and "Financial information — Discussion on selected balance sheet items — Trade and other payables" in this prospectus.

Selected key financial ratios

The table below sets out certain financial ratios of our Group as at the dates indicated:

	As at/for the year ended 31 December		
	2016	**2017**	**2018**
Current ratio (times) *(Note 1)*	1.2	1.0	1.0
Quick ratio (times) *(Note 2)*	1.0	0.8	1.0
Gearing ratio *(Note 3)*	58.3%	111.0%	117.5%
Debt to equity ratio *(Note 4)*	40.7%	82.1%	95.4%
Interest coverage (times) *(Note 5)*	7.1	7.4	6.3
Return on assets *(Note 6)*	6.2%	7.2%	6.3%
Return on equity *(Note 7)*	20.7%	38.1%	33.9%

Our gearing ratio increased to approximately 111.0% as at 31 December 2017 from approximately 58.3% as at 31 December 2016 primarily due to the decrease in equity as a result of dividend declared amounted to HK$40.0 million for the year ended 31 December 2017.

Notes:

1. Current ratio is calculated by dividing current assets (excluding non-current assets held-for-sale) by current liabilities.

2. Quick ratio is calculated by dividing current assets (excluding non-current assets held-for-sale) after subtraction of inventories by current liabilities.

3. Gearing ratio is calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of obligations under finance leases, lease liabilities, bank overdraft and bank and other borrowings.

4. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt net of cash at bank and on hand.

5. Interest coverage is calculated by dividing profit before finance costs and income tax expense by finance costs.

6. Return on assets is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total assets.

7. Return on equity is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total equity.

PRE-IPO INVESTMENT

On 3 October 2017, GPG and the Pre-IPO Investor entered into a share purchase agreement pursuant to which the Pre-IPO Investor agreed to acquire 16 shares of GHL BVI, representing 16% of the entire issued share capital of GHL BVI at a consideration of HK$14.4 million, which was arrived at after arm's length negotiations between GPG and the Pre-IPO Investor with reference to the net asset value of GHL BVI. HK$12.0 million of the consideration was settled by cash on 4 October 2017. The remaining consideration of HK$2.4 million was settled by cash and the Pre-IPO Investment was completed on 31 October 2017, upon which GHL BVI became owned by GPG and the Pre-IPO Investor as to 84% and 16%, respectively.

On 12 October 2018, our Company acquired 16 shares of GHL BVI (representing 16% of the entire issued share capital of GHL BVI) from the Pre-IPO Investor. In consideration of the aforesaid acquisition, 1,600 Shares were allotted, issued and credited as fully paid to the Pre-IPO Investor. After the aforesaid acquisition, allotment and issue, our Company became owned by Pre-IPO Investor as to 16% of the total issued Shares. Upon the Listing, the Pre-IPO Investor will hold 13.3% of shareholding in our Company.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), GPG will hold 61.7% of the issued share capital of our Company, respectively. GPG is an investment holding company without any business operation and is owned by RHS, Easy Achiever, Elect Lead and Berg Group as to 11.3%, 10.2%, 23.4% and 55.2%, respectively, after completion of the Reorganisation. RHS is wholly-owned by Mr. Henriksen. Each of Easy Achiever, Elect Lead and Berg Group is wholly-owned by Mr. Berg. Each of Mr. Berg, Easy Achiever, Elect Lead, Berg Group, Mr. Henriksen, RHS and

GPG is our Controlling Shareholder and will together form a group of Controlling Shareholders who are entitled to control 61.7% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$0.5 per Offer Share, the total amount of Listing expenses and commissions in connection with the Share Offer borne by the Group is estimated to be approximately HK$35.1 million.

Of the aggregate Listing expenses borne by the Group of HK$35.1 million, approximately HK$12.0 million directly attributable to the issue of new Shares will be accounted for as a deduction from equity upon Listing. Listing expenses of approximately HK$1.9 million and HK$13.0 million were charged to the profit or loss for the years ended 31 December 2017 and 2018, respectively, and the remaining amount of approximately HK$8.2 million will be charged to the profit or loss for the year ending 31 December 2019. Expenses in relation to the Listing are non-recurring in nature. The Listing expenses estimated to be borne by the Selling Shareholder is approximately HK$5.7 million.

OFFER STATISTICS

	Based on the Offer Price of HK$0.5 per Share
Market capitalisation upon Listing *(Note 1)*	500,000,000
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share *(Note 2)*	0.10

Notes:

1. The calculation of the market capitalisation of our Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

2. The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share has been arrived with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

DIVIDEND

Dividends may be paid out by way of cash or by other means we consider appropriate. Dividend of HK$40.0 million was declared and fully settled by one of our subsidiaries to its then shareholders through current account during the year ended 31 December 2017. Dividend of HK$20.0 million was declared and fully settled by our Company to its shareholders through current account during the year ended 31 December 2018. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

Further details are set forth in the section headed "Financial information — Dividend" in this prospectus.

FUTURE PLAN AND USE OF PROCEEDS

We estimate the net proceeds from the new Shares as part of the Share Offer which we will receive, based on the Offer Price of HK$0.5 per Offer Share, will be approximately HK$49.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Share Offer for the following purposes:

- approximately HK$8.1 million or 16.3% of the net proceeds for intensifying our design and development efforts on the licensed brand products to deepen our market penetration;
- approximately HK$5.7 million or 11.4% of the net proceeds for enhancing our design and development capabilities;
- approximately HK$7.3 million or 14.6% of the net proceeds for expanding our sales and marketing network;
- approximately HK$11.8 million or 23.7% of the net proceeds for expanding and enhancing our manufacturing capabilities;
- approximately HK$4.6 million or 9.2% of the net proceeds for enhancing our information technology management system to enhance operational efficiency;
- approximately HK$7.5 million or 15.0% of the net proceeds to repay certain outstanding bank loans; and

- approximately HK$4.9 million or 9.8% will be used for working capital of our Group.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares (after deduction of the underwriting fees and commissions and estimated Listing expenses payable by the Selling Shareholder, based on the Offer Price of HK$0.5 per Offer Share and the Over-allotment Option is not exercised) are approximately HK$34.3 million. We will not receive any of the net proceeds from the Selling Shareholder.

Further details of our use of proceeds from the Share Offer are set forth in the section headed "Future plans and use of proceeds" in this prospectus.

RISK FACTORS

Our Group's business and financial performance may be affected by a number of the major risks that may materially and adversely affect our business, financial results of operation include: (i) we rely on the brand licensors that we cooperate with and any failure to renew licensing arrangements with our licensors may affect our business; (ii) we are subject to risks associated with the distribution model of our branded products; (iii) purchase orders we receive from our private label customers may fluctuate from time to time; (iv) our top five customers contributed a majority of sales to our total revenue during the Track Record Period and any decrease in our sales to any of them would materially and adversely affect our operations and financial results; (v) we rely on our subcontractors for the production of our products; (vi) we are exposed to credit risk of our customers; (vii) we may fail to anticipate and respond to changes in consumer preference and market trend in a timely manner; (viii) our sales may be affected by seasonality; and (ix) we rely significantly on our export sales, and the inherent risks associated thereto may adversely affect our business, results of operations and financial conditions.

Further details of the risks we are exposed to are set out in the section headed "Risk factors" in this prospectus.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made sales of our backpack and luggage products, either through direct sales effort or sales by distributors, to certain Countries subject to International Sanctions, including Egypt, Iraq, Lebanon, Russia, the Balkans, Ukraine and Venezuela. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK$10.5 million, HK$14.6 million and HK$18.1 million, respectively, representing approximately 1.7%, 2.2% and 2.7% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. As advised by our International Sanctions and U.S. Legal Advisers, after evaluating our risk of exposure, our activities during the Track Record Period do not implicate restrictions under International Sanctions. Further details are set forth "Risk factors — Risks relating to our business — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the EU, the United Nations, Australia and other relevant sanctions authorities" and "Business — Business activities in Countries subject to International Sanctions" in this prospectus.

PROPERTY VALUATION

Vigers Appraisal & Consulting Limited, an independent property valuer (the "**Property Valuer**"), appraised the market values of our property interests as at 30 April 2019. For property interests held by our Group for owner occupation and investment in Hong Kong, the Property Valuer has adopted direct comparison approach assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. For property interest held by our Group for owner occupation in the PRC, the Property Valuer has adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Further details are set out in Appendix III to this prospectus.

Investors are advised that the appraised value of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. Further details are set forth in the section headed "Risk factors — Risks relating to our business — The appraisal value of our properties may be different from their actual realisable values and are subject to uncertainty or change " in this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

A recent trade dispute has been initiated between the U.S. and the PRC, which affects the trade flows for certain products exported from the PRC to the U.S.. In a series of releases, the Office of the United States Trade Representative (the "**USTR**") has publicised a list of products to be exported from the PRC that would be subject to additional tariffs. Many of these tariffs went into effect in July and August 2018. Another list was publicised on 18 September 2018, and Chinese imports listed therein became subject to a tariff of 10% with effect from 24 September 2018. The USTR confirmed that the tariffs initially went into effect last September have further risen to 25% from 10% with effect from 10 May 2019. For the years ended 31 December 2016, 2017 and 2018, our revenue generated in the U.S. as a proportion of our total revenue amounted to approximately 40.2%, 39.6% and 44.6%, respectively. To the best knowledge, information and belief of our Directors, as per the final tariff list announced by the USTR, all our sales to the U.S would be subject to U.S. tariffs of 25% if such tariffs were imposed during the Track Record Period. However, as our products that are sold and delivered to the U.S. are mainly sold on a free-on-board basis, we are not deemed to be the importer of our products, and the burden is borne by our customers rather than our Group. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any anti-dumping duties upon importation into the U.S..

As far as our Directors are aware, up to the Latest Practicable Date, none of our customers has cancelled any orders and there has not been any material adverse event after the Track Record Period as a result of the imposition of trade tariff by the U.S. government. Even after the announcement of such tariff, we have continued to receive new purchase orders from our existing customers. Our Directors have performed a comparison on the revenue for the U.S. following the introduction of the 10% tariff in September 2018, which showed that our total sales in the U.S. increased from approximately HK$119.9 million for the six months between 1 October 2017 and 31 March 2018 to approximately HK$143.4 million for the six months between 1 October 2018 and 31

March 2019, representing an increase of approximately 19.6%. In particular, Customer A took up approximately 69.2% of our product sales in the U.S. for the year ended 31 December 2018, which was approximately 30.9% of our total revenue for the same year. Despite the introduction of the tariff, Customer A has explicitly expressed its intention to continue to maintain a stable customer-supplier business relationship with us given our longstanding mutually beneficial relationship and the high technical specifications of the products manufactured by us. On 8 August 2018, we entered into two three-year distribution agreements with Customer A involving the distribution of branded products of two respective brands manufactured by us for the U.S. market. The two distribution agreements in aggregate cover a minimum purchase amount of US$4.0 million for 2019, US$5.0 million for 2020 and US$6.0 million for 2021 for the U.S. market. Based on the discussion between Customer A and us, we expect the product sales under these two agreements to reach US$8.0 million for 2019.

Customer A further confirmed that it will place orders with us for the manufacturing of bags for an existing private label in 2019. Our revenue generated from the manufacture of such private label products sold in U.S. amounted to approximately, US$22.6 million, US$23.1 million and US$26.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. Based on our preliminary discussion with Customer A, the order size of such private label products for the U.S. market for 2019 is estimated to be approximately US$30.2 million, of which approximately US$23.0 million belongs to the existing product lines and approximately US$7.2 million belongs to the new product lines granted to us under this private label.

Furthermore, we believe that we can deploy a number of strategies to mitigate any possible adverse impact, including (i) passing the tariff in part or in full onto the end users in collaboration with our customers; and (ii) engaging manufacturers in other APAC region to take up our production orders. Due to the high technical specifications of the products manufactured by us, our customers are positive that the increase in costs can be passed onto the end users. We are closely monitoring the development of the situation and designing strategies together with our customers to prepare ourselves for any effects bring along by the applicable tariff. For further details, please refer to the section headed "Risk factors — Risks relating to our business — We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations" and "Business — Sales and marketing — Tariffs" in this prospectus.

Save for the Listing expenses, our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospects since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus, and there is no event since 31 December 2018 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of technical terms"

"Accountant's Report"	The report of the Reporting Accountant dated 13 June 2019, the text of which is set out in Appendix I to this prospectus
"affiliate"	Any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"APAC"	the Asia-Pacific Region
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 30 May 2019 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto it under the Listing Rules
"BBM APS"	Berg Brand Management ApS, a company incorporated in Denmark with limited liability on 12 December 2003 and an indirect wholly-owned subsidiary of our Company
"BBM GMBH"	BBM Berg Brand Management GmbH, a company incorporated in Germany with limited liability on 20 June 2001, and an indirect wholly-owned subsidiary of our Company
"Berg Group"	Berg Group Holding Limited, a company incorporated in Hong Kong with limited liability on 20 November 2014, being a Controlling Shareholder and wholly-owned by Mr. Berg
"Board" or "Board of Directors"	the board of Directors of our Company

"business day"	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate
"Capitalisation Issue"	the issue of 829,990,000 Shares to be made upon capitalisation issue of part of the amount standing to the credit of our share premium account as referred to in the section headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 30 May 2019" in Appendix V to this prospectus
"Cayman and BVI Legal Advisers"	Conyers Dill & Pearman, the legal advisers to our Company as to the laws of the Cayman Islands and the laws of the BVI
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CIC"	China Insights Industry Consultancy Limited, an independent industry consultant, which is an independent third party
"CIC Report"	a market research report commissioned by us and prepared by CIC on the overview of the industry in which our Group operates
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company"	Grown Up Group Investment Holdings Limited (植華集團投資控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Berg, Berg Group, Elect Lead, Easy Achiever, GPG, Mr. Henriksen and RHS
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Countries subject to International Sanctions"	are countries/regions which governments, such as the U.S. or Australia, or governmental organisations, such as the EU or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries/regions or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries/regions
"DACH"	an acronym for Germany, Austria and Switzerland, being countries that speak the German language
"Deed of Indemnity"	the deed of indemnity dated 30 May 2019 given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the section headed "E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus

"Deed of Non-competition"	the deed of non-competition dated 30 May 2019 given by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in this prospectus
"Denmark"	the Kingdom of Denmark
"Denmark and Germany Legal Advisers"	DLA Piper Denmark Law Firm Limited Partnership, the legal advisers to our Company as to Danish and German law
"Director(s)"	the director(s) of our Company
"DKK"	Danish Krone, the lawful currency of Denmark
"Easy Achiever"	Easy Achiever Holdings Limited, a company incorporated in the BVI with limited liability on 10 February 2015, being a Controlling Shareholder and wholly-owned by Mr. Berg;
"ED APS"	Elements Denmark ApS, a company incorporated in Denmark with limited liability on 29 June 2009 and a direct wholly-owned subsidiary of EGD APS
"EGD APS"	Elements Group Denmark ApS, a company incorporated in Denmark with limited liability on 29 June 2009 and a direct wholly-owned subsidiary of EML2
"EGHL"	Elements Group Holdings Limited, a company incorporated in Hong Kong with limited liability on 27 November 2015 and a direct wholly-owned subsidiary of EGIHL
"EGIHL"	Elements Group Investment Holdings Limited, a company incorporated in the BVI with limited liability on 16 November 2015, which became a direct wholly-owned subsidiary of Group One after completion of the Reorganisation
"Elect Lead"	Elect Lead Limited (優立有限公司), a company incorporated in the BVI with limited liability on 30 January 2015, being a Controlling Shareholder and wholly-owned by Mr. Berg

"Elements Group"	the group of companies comprising EGIHL, EGHL, EML1, EML2, ELL, EP1, EGD APS, ED APS and KK A/S
"ELL"	Elements Licenses Limited, a company incorporated in Hong Kong with limited liability on 22 March 2012 and a direct wholly-owned subsidiary of EGHL
"EML1"	Elements Manufactory Limited, a company incorporated in Hong Kong with limited liability on 12 October 1998 and a direct wholly-owned subsidiary of EGHL
"EML2"	Elements Management Limited, a company incorporated in Hong Kong with limited liability on 9 June 2005 and a direct wholly-owned subsidiary of EGHL
"EP1"	EP1 Dongguan Plant Limited (東莞冠峰木製品有限公司), a company established in the PRC on 14 January 2003 and a direct wholly-owned subsidiary of EML1
"EU"	the European Union
"EUR"	the lawful currency adopted by 19 of the 28 member states of the EU as at the Latest Practicable Date
"Germany"	the Federal Republic of Germany
"GHL BVI"	Grown-Up Group Holdings Limited (植華集團控股有限公司), a company incorporated in the BVI with limited liability on 9 June 2005 and a direct wholly-owned subsidiary of our Company
"GHL HK"	Grown-Up Group Holdings Limited (植華集團控股有限公司), a company incorporated in Hong Kong with limited liability on 16 December 2005 and an indirect wholly-owned subsidiary of our Company
"Government"	the government of Hong Kong
"GPC"	GP Manufactory China Limited (港植華商貿(深圳)有限公司), a company established in the PRC with limited liability on 28 February 2011, and an indirect wholly-owned subsidiary of our Company

"GPE"	Grown-Up ApS, a company incorporated in Denmark with limited liability on 16 December 2005 and an indirect wholly-owned subsidiary of our Company
"GPG"	GP Group Investment Holding Limited, a company incorporated in Hong Kong with limited liability on 2 February 2015, being a Controlling Shareholder and is owned by Berg Group, Elect Lead, Easy Achiever and RHS as to 55.2%, 23.4% and 10.2% and 11.3%, respectively
"GPL APS"	Grown-Up Licenses ApS, a company incorporated in Denmark with limited liability on 1 January 2006 and an indirect wholly-owned subsidiary of our Company
"GPL HK"	Grown-Up Licenses Limited (植華授權品牌有限公司), a company incorporated in Hong Kong with limited liability on 12 November 2004 and an indirect wholly-owned subsidiary of our Company
"GPL SZ"	Grown-Up Luggage and Bags (Shenzhen) Co., Ltd. (植華箱包(深圳)有限公司), a company established in the PRC with limited liability on 16 October 2018 and an indirect wholly-owned subsidiary of our Company
"GPM"	Grown-Up Manufactory Limited (植華製造廠有限公司), a company incorporated in Hong Kong with limited liability on 11 July 1989 and an indirect wholly-owned subsidiary of our Company
"GPM HK"	GP Manufactory Hong Kong Limited (植華製造廠(香港)有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2004 and an indirect wholly-owned subsidiary of our Company
"GPP"	Grown-Up Products Company Limited (植華有限公司), a company incorporated in Hong Kong with limited liability on 22 October 1996 and a wholly-owned subsidiary of GHL HK before its dissolution on 6 January 2017
"GP1"	GP1 Shenzhen Plant Limited (文華日用品(深圳)有限公司), a company established in the PRC with limited liability on 20 September 2004 and an indirect wholly-owned subsidiary of our Company

"GP2"	GP2 Xinfeng Plant Limited (江西集友日用品有限公司), a company established in the PRC with limited liability on 25 August 2004 and an indirect wholly-owned subsidiary of our Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider, designed by our Company
"Group", "we, "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
"Group One"	Group One Industries Limited, a company incorporated in the BVI with limited liability on 15 September 2017 and wholly-owned by Mr. Berg
"GULA"	Grown Up Licenses (Asia) Limited (植華品牌(亞洲)有限公司), a company incorporated in Hong Kong with limited liability on 10 December 2014 and wholly-owned by Mr. Wong
"HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting an application online at the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"independent third party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
"International Sanctions and U.S. Legal Advisers"	Hogan Lovells, the legal advisers to our Company as to International Sanctions and U.S. law
"IRD"	the Inland Revenue Department of Hong Kong
"Joint Bookrunners" or "Joint Lead Managers"	Dakin Securities Limited, Opus Capital Limited, China Investment Securities International Brokerage Limited and HK Monkey Securities Limited
"Jiangxi Factory"	the factory buildings owned by our Group located at Xinfeng County Industrial Park, Ganzhou City, Jiangxi Province, the PRC
"KK A/S"	Køkkensnedkeren A/S, a company incorporated in Denmark with limited liability on 28 November 2009 and is owned by EGD APS and two independent third parties as to 66.7%, 23.3% and 10.0%, respectively
"Latest Practicable Date"	4 June 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Legal Counsel"	Ms. Ng Wing Shan Queenie, barrister-at-law of Hong Kong, legal counsel to our Company as to the laws of Hong Kong

"Licensor A"	a leading manufacturer of construction and mining equipment and a company listed on the New York Stock Exchange
"Licensor B"	a plastic interlocking bricks manufacturer headquartered in Denmark
"Licensor C"	a worldwide chain of music theme restaurants originated in London
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 28 June 2019, on which dealings in the Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board, as amended, modified and supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Manree Group"	Manree Group Limited, a company incorporated in the BVI with limited liability on 30 March 1994 and was wholly-owned by Mr. Wong at the time of his exit as detailed in the section headed "History, Reorganisation and Group Structure — Material shareholding changes of our Group prior to and during the Track Record Period"
"Man Wah Articles"	Man Wah Daily-Used Articles Co., Limited (文華日用品有限公司), a company incorporated in Hong Kong on 25 February 2008 and a wholly-owned subsidiary of GHL HK before its dissolution by deregistration on 22 July 2016
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on 30 May 2019 with immediate effect, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Berg"	Mr. Thomas Berg, being the chairman of our Board, an executive Director and a Controlling Shareholder
"Mr. Bergholdt"	Mr. Henrik Bergholdt, our group chief executive officer
"Mr. Cheng"	Mr. Cheng Wai Man (鄭偉民), being an executive Director
"Mr. Choi"	Mr. Choi Chung Yin (蔡仲言), one of the ultimate beneficial owners of the Pre-IPO Investor
"Mr. Fung"	Mr. Fung Bing Ngon Johnny (馮炳昂), being a non-executive Director
"Mr. Henriksen"	Mr. Morten Rosholm Henriksen, being an executive Director and a Controlling Shareholder
"Mr. Lee"	Mr. Lee Way Hong (李偉康), one of the founders of our Group
"Mr. Tam"	Mr. Tam Wai Tong (譚偉棠), one of the ultimate beneficial owners of the Pre-IPO Investor
"Mr. Wong"	Mr. Wong Wah Tung (黃華東), one of the founders of our Group
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OECD"	Organisation for Economic Co-Operation Development
"Offer Price"	HK$0.5 price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or issued pursuant to the Share Offer, to be determined in the manner further described in the section headed "Structure and conditions of the Share Offer" in this prospectus

"Offer Share(s)"	the Public Offer Shares and the Placing Shares
"Over-allotment Option"	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Joint Lead Managers (for themselves and on behalf of the Joint Bookrunners, the Placing Underwriters) pursuant to the Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares at the Offer Price to cover over-allocations in the Placing, if any, further details of which are described in the section headed "Structure and conditions of the Share Offer — The Over-allotment Option" in this prospectus
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set out in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 225,000,000 Shares comprising 145,000,000 new Shares and 80,000,000 Sale Shares being initially offered by our Company and the Selling Shareholder, respectively, for subscription and/or purchase pursuant to the Placing, subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
"Placing Underwriting Agreement"	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 19 June 2019 by, among others, our Company, the Selling Shareholder and the Placing Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"PRC" or "China"	The People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan region

"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC law
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Pre-IPO Investor"	Favourable Outcome Limited, a company incorporated in the BVI with limited liability on 16 September 1999 and is owned by Mr. Choi and Mr. Tam as to 70% and 30%, respectively
"Principal Share Registrar"	Conyers Trust Company (Cayman) Limited
"Public Offer"	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 25,000,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as descried in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set out in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 30 May 2018 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus

"Ricktake Development"	Ricktake Development Limited (裕利高發展有限公司), a company incorporated in Hong Kong with limited liability on 6 June 1996 and an indirect wholly-owned subsidiary of our Company
"RHS"	Rosholm Holding ApS, a company incorporated in Denmark with limited liability on 17 January 2005, being a Controlling Shareholder and is wholly-owned by Mr. Henriksen
"Rodwin Group"	Rodwin Group Limited, a company incorporated in the BVI with limited liability and is owned by Mr. Cheng and Mr. Fung as to 50% and 50%, respectively
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 80,000,000 Offer Shares offered by the Selling Shareholder at the Offer Price under the Share Offer
"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SCNPC"	the Standing Committee of the NPC (中華人民共和國全國人民代表大會常務委員會)
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons

"Selling Shareholder"	Berg Group, our existing Shareholder who is expected to offer to sell the Sale Shares under the Share Offer particulars of which are set forth in the section headed "E. Other Information — 10. Particulars of the Selling Shareholder" in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 May 2019, the principal terms of which are summarised in the section headed "D. Share Option Scheme" in Appendix V to this prospectus
"Shenzhen Factory"	the factory buildings leased by our Group located at Huafeng Green Energy Innovation Park, No.22 Huanping Road, Pingdi Community, Longgang District, Shenzhen City, Guangdong Province, the PRC
"Sole Sponsor"	Dakin Capital Limited, the sole sponsor for the Listing and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder"	has the meaning ascribed thereto in the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this prospectus
"Takeovers Code"	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

"Tignum"	Tignum ApS, a company incorporated in Denmark with limited liability on 22 September 2004 and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the period comprising the years ended 31 December 2016, 2017 and 2018
"T. Berg Holdings"	T. Berg Holding ApS, a company incorporated in Denmark with limited liability on 1 September 1997, and wholly-owned by Mr. Berg
"Underwriters"	the underwriters of the Public Offer Underwriters and the Placing Underwriters, details to which are set out in the section headed "Underwriting" in this prospectus
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"U.K." or "United Kingdom"	the United Kingdom of Great Britain, Northern Ireland and Scotland and Wales
"U.S." or "United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"**WHITE** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in the section headed "How to apply for the Public Offer Shares" in this prospectus
"**YELLOW** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in section headed "How to apply for the Public Offer Shares" in this prospectus
"sq.ft"	square foot
"sq.m."	square meter
"%"	per cent

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

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"BSCI"	the Business Social Compliance Initiative, is a business-driven programme for companies committed to improving working conditions in the global supply chain launched by the Foreign Trade Association
"CP65"	California Proposition 65, a California law passed in 1986 aiming to protect drinking water sources from toxic substances that may cause cancer and birth defects and to reduce or eliminate exposures to those chemicals generally, for example in consumer products, by requiring warnings in advance of those exposures
"CPSIA"	the Consumer Product Safety Improvement Act which is a US law covering new requirements on manufacturers of apparel, shoes, personal care products, accessories and jewelry, home furnishings, bedding, toys, electronics and video games, books, school supplies, educational materials and science kits
"ERP"	enterprise resource planning, a type of business management software comprised of a suite of integrated applications that a company can use to collect, store, manage and interpret data from its business activities
"EU REACH"	Regulation No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals, a regulation adopted to improve the protection of human health and environment from the risks that can be posed by chemicals, which came into force in 2007
"OBM"	original brand manufacturing, a type of manufacturing under which the manufacturers develop and own the design of products which are marketed and sold under such manufacturers' own brand names

"ODM"	original design manufacturing, a type of manufacturing under which products are designed and manufactured by (i) the manufacturers with reference to the general concepts provided by the customers and are marketed and sold under the customers' brand names; and (ii) the licensee of a brand licensor with the design subject to the approval of the brand licensor and are marketed and distributed under the name of the brand licensor by the brand licensee
"OEM"	original equipment manufacturing, a type of manufacturing under which products are manufactured in accordance with the specifications of the customers and are then marketed and sold under the customers' brand names

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

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

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking statements and information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments. All forward-looking statements and information contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. Particular attention should be paid to the fact that our Company is incorporated in Cayman Islands and some of our Group's subsidiaries are located in the PRC, Denmark and Germany and are governed by legal and regulatory environments which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial position or on the trading price of the Shares, and could cause the loss of all or part of such investment.

This prospectus also contains "forward-looking statements" that involve risks and uncertainties. The actual results of our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by our Group as described in this prospectus. If any of the following considerations and uncertainties develops into actual events, our business, financial position or results of operations may be materially adversely affected. In such circumstances, the trading price of the Shares could decline and may cause the loss of all or part of such investment.

RISKS RELATING TO OUR BUSINESS

We rely on the brand licensors that we cooperate with and any failure to renew licensing arrangements with our licensors may affect our business

As at the Latest Practicable Date, we had licensing arrangements with three brand licensors for the design, development, manufacturing and distribution of backpack and luggage under their respective brands. For the years ended 31 December 2016, 2017 and 2018, the revenue generated from sales of the licensed brand products was approximately HK$108.3 million, HK$139.7 million and HK$139.2 million, respectively, accounting for approximately 17.2%, 21.2% and 20.6% of our total revenue, respectively. The duration of the licences granted to us ranges from around three to six years. Our financial performance depends heavily on our continuing ability to renew the licensing arrangements entered into between us and various brand licensors. If we fail to renew, if such agreements are terminated prior to their expiry or if we fail to renew such agreements on the same or more favourable terms, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks associated with the distribution model of our branded products

We rely on the ability of our distributors to sell our branded products through their sales network. For each of the years ended 31 December 2016, 2017 and 2018, we had a total of 63, 56 and 54 third party distributors, respectively. We rely on the distribution network of our distributors to secure our geographical coverage and achieve market penetration in their respective designated geographic regions. However, we cannot assure you that we will always be able to attract a sufficient number of quality distributors to maintain or extend the breadth of our distributors' geographic coverage. Furthermore, if our distributors fail to purchase our branded products at current

demand levels or to meet our sales target or choose not to continue business relationship with us, we may not be able to find suitable alternative distributor in time, and this may result in a loss of sales opportunities and may in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Our ability to accurately track the sales and inventory levels of our distributors and points of sale may be limited. We do not have direct access to the sales and inventory levels of our distributors. We rely heavily on the cooperation of our distributors to accurately report their sales performance to us and cannot ensure the accuracy of the information they provide. If our distributors fail to provide us accurate data, we may not have any other means to monitor and evaluate the sales performance as well as the number of points of sale in our distribution network. As a result, we may misjudge market conditions and plan our business strategies based on erroneous information, which, in turn, may materially adversely affect our business, results of operations, financial condition and prospects.

Purchase orders we receive from our private label customers may fluctuate from time to time

During the Track Record Period, we normally entered into framework agreements with our private label customers and they placed purchase orders to us in the specified contract period. There is no minimum purchase commitment in the framework agreements entered into with our private label customers. Hence, the volume of purchase orders from our private label customers may vary from time to time. There is no guarantee to our future order quantities and our results of operations may fluctuate significantly in the future.

There is no assurance that our private label customers will place new purchase orders to us at the same level or on similar terms which they have historically done so, or at all, in the future, or we will be able to develop new private label customers. If our private label customers cease to place purchase orders with us or reduce the size of the purchase orders, or we are unable to develop new private label customers, our results of operations may be materially and adversely affected.

Our top five customers contributed a majority of sales to our total revenue during the Track Record Period and any decrease in our sales to any of them would materially and adversely affect our operations and financial results.

For the years ended 31 December 2016, 2017 and 2018, the sales to our largest customer accounted for approximately 28.5%, 28.7% and 32.8% of our total revenue, respectively, while sales to our top five customers accounted for approximately 69.5%, 63.9% and 57.5% of our total revenue, respectively.

The concentration on a few significant customers exposes us to the risks of substantial losses if any of them stops engaging in businesses with us or significantly reduces sales orders to us. Specifically, any of the following events, among others, may

cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations:

- the reduction, delay or cancelation of purchase orders from any of our top five customers;
- the reduction in the purchase price of our products;
- the rejection of products manufactured by us for any of our top five customers;
- the decision by any of our top five customers to select our competitors to supply products; and
- the failure or inability of any of our top five customers to make timely payment for our products.

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

We rely on our subcontractors for the production of our products.

With a view to effectively manage our costs and optimise our production flow, we adopt a flexible production policy under which we decide whether to manufacture products internally or outsource the entire or part of the production process to our subcontractors in order to increase our flexibility on staffing and save costs on human resources management. The revenue attributable to outsourced production for each of the year ended 31 December 2016, 2017 and 2018 amounted to approximately HK$339.4 million, HK$318.9 million and HK$310.4 million, accounting for approximately 53.8%, 48.3% and 45.8% of our total revenue during the same years, respectively. None of these subcontractors is contractually obligated to allocate a fixed amount of manufacturing capacity to us. It is difficult for us to accurately forecast our capacity needs. In particular, as at the Latest Practicable Date, we outsourced the production of hard-side luggage as we had not invested in such production machinery. In the event that our relationship with our subcontractors breaks down and we are unable to secure suitable subcontractors when required, or if the price offered by the subcontractors is not competitive, our operations and/or financial position may be adversely affected.

We will conduct random audits on our subcontractors on various aspects including technical skills and compliance on work safety, health and labour regulations. Only those which have met our stringent requirements and passed the audits are qualified to be the approved subcontractors. If our subcontractors fail to pass the audits, we cannot assure that we can source and replace the subcontractors by suitable ones in a timely manner.

In addition, in the event there is any delay in completion of the products by our subcontractors or they produce products with unsatisfactory quality, this may result in deteriorating quality of our products or delay in fulfilling our customers' orders. As such, our results of operations and profitability may be adversely affected.

We are exposed to credit risk of our customers.

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

During the Track Record Period, majority of payment terms with our customers are 60-90 days. The trade and bills receivables of our Group amounted to approximately HK$109.5 million, HK$153.1 million and HK$188.3 million as at 31 December 2016, 2017 and 2018, respectively, while the average trade and bills receivables turnover days are approximately 62.8 days, 72.6 days and 91.9 days for the years ended 31 December 2016, 2017 and 2018, respectively. As at the Latest Practicable Date, approximately HK$122.1 million, representing approximately 64.9% of the trade and bills receivables outstanding as at 31 December 2018 had been subsequently settled. Further details on ageing analysis and subsequent settlement are set forth in the paragraph headed "Financial Information — Trade and other receivables" in this prospectus.

The financial position, profitability and cash flow of our Group depend on whether customers will be able to settle the outstanding balances owed to our Group in a timely manner. If there is any delay or default in payments made by our customers, if we fail to receive our long overdue trade and bills receivables or if there is any event or change in circumstances that renders the long overdue trade receivables impaired or uncollectible, our profitability, liquidity, financial position, results of operations and prospects could be materially and adversely affected.

We may fail to anticipate and respond to changes in consumer preference and market trend in a timely manner.

Our business depends on our ability to retain existing customers and to continue attracting new potential customers and gaining new purchases for our products. Constantly changing market trend and consumer preferences have affected and will continue to affect our business. If we fail to capture the consumer preference and update our product design and development in the favour, customers may lose interest in our products.

We analyse the consumer preference by using historical sales data and market research data and determine our product design and marketing strategy accordingly. We cannot guarantee that our prediction on consumer behaviour could be accurate. To maintain our position in the backpack and luggage market, we must stay abreast of constantly changing consumer preferences and anticipate product trends that will appeal to existing and potential customers, and any failure to identify and respond to such trends could result in decreased number of customers and reduced attractiveness of our products. This may in turn lead to significant adverse effects on our business, financial condition and results of operations.

Our sales may be affected by seasonality

During the Track Record Period, we generally record higher sales in April to May, July and December. We believe that the higher sales is due to our customers' increase indemand to prepare for expected increase in retail sales during the school summer holiday and festive seasons such as Christmas and Easter holiday. The seasonal pattern in the spending behaviour of customers may affect the results of our operation.

Any reduction in the sales of our backpack and luggage products during the peak season may have an adverse material impact on our sales and performance. Furthermore, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. Due to these seasonal consumption patterns which are outside our control, our operating results and financial condition may fluctuate from period to period.

We rely significantly on our export sales and the inherent risks associated thereto may adversely affect our business, results of operations and financial conditions.

For the years ended 31 December 2016, 2017 and 2018, majority of our revenue was generated from sales to overseas customers. Thus, we rely heavily on our export sales, and our financial performance may therefore be tied to the fluctuations in the global economy. There is a possibility that we cannot maintain the existing level of sales to overseas customers. If our overseas customers do not maintain their existing levels of purchase orders from us, our business, financial condition and results of operations may be adversely affected.

Our export sales operations are generally subject to certain inherent risks, including:

- exposure to local, economic, political and labour conditions;
- changes in laws, regulations, trade, monetary or fiscal policy;
- the imposition of trade barriers, such as export requirements, tariffs, taxes and other restrictions and expenses;
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations; and
- our inability to obtain, maintain or enforce intellectual property rights in the overseas countries to which our products are exported.

These uncertainties could have a material adverse effect on the continuity of our business, results of operation and financial condition.

We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations.

We sell most of our products to customers in other countries. Any trade restrictions such as anti-dumping duties, tariffs or quota fees imposed by the countries to which we export our products, or a trade dispute involving our products could significantly increase the prices of our products in such countries. If our customers are not able to pass such additional costs to their customers, our customers' purchase costs will increase significantly and our sale to these customers could be adversely affected, which could adversely affect our financial position, business or results of operations.

The U.S. government has announced that it seeks to impose new tariff on products imported from the PRC, through a series of notices issued by the USTR, and some of our suitcase and bags that we export to the United States are listed as being covered by these notices. As a result, these products are now subject to additional tariffs of 25% and it is possible that products we manufacture in the PRC could be subject to further increased tariffs if the trade disputes between the United States and the PRC continues.

Any additional tariff could significantly increase the prices of our products that are manufactured at our suppliers' manufacturing facilities and our in-house production facilities in the PRC and thereby, reducing the demand and price-competitiveness of our products. If we were unable to pass such additional costs on to our customers, or replace with new customers, our business operations, financial position and results of operations would be materially and adversely affected. Moreover, to avoid cost increases resulting from any trade restrictions and/or tariff imposed by the U.S., our customers may require us to manufacture products that would be delivered to the U.S. at our suppliers' manufacturing facilities situated out of the PRC. If our production capacities out of the PRC are insufficient to fulfil the demand of such customers, our sales volumes, profitability and results of operations could be adversely affected.

Our production enhancement and expansion plan may not be successful

We plan to utilise certain portion of the net proceeds from the Share Offer on expanding and enchancing our manufacturing capabilities. The overall utilisation rates of the production facilities in both Shenzhen Factory and Jiangxi Factory were increasing throughout the Track Record Period and the production facilities in our Jiangxi Factory were approaching full utilisation for the years ended 31 December 2017 and 2018. For the years ended 31 December 2016, 2017 and 2018, our Jiangxi Factory had operated at high utilisation rates of approximately 92.7%, 97.6% and 97.6%, respectively. It is our strategic plan to expand our Jiangxi Factory by constructing an additional building in order to meet the increasing demand for our products and to capture future growth opportunities in the backpack and luggage industry. We intend to launch 12 additional production lines in two phases, with the first eight production lines commencing service in January 2021 and the remaining four production lines commencing service in January 2022. Upon completion of the whole expansion of our Jiangxi Factory, it is expected that the estimated maximum production capacity of our Jiangxi Factory is expected to increase by approximately 44.4%. In order to minimise labour costs and increase our production efficiency, we intend to implement automation in our production processes by replacing certain of our existing machinery and equipment with various types of computerized sewing machines. Further details are set forth in the sections headed "Business — Enhance and expand our manufacturing capabilities" in this prospectus.

Our Group currently plans to spend approximately HK$11.7 million to construct an additional building in our Jiangxi Factory and HK$12.0 million to acquire new machinery and equipment to increase our production capacity. We intend to use approximately HK$11.8 million of the net proceeds together with our internal resources to impose the abovementioned plans. Further details are set forth in the section headed "Future plans and use of proceeds" in this prospectus.

The success of our production enhancement and expansion plan hinges on our ability to capture additional demand from our customers and distributors. However, there is no assurance that we will be able to maintain or establish relationships with our existing or prospective customers and distributors or secure new purchase orders from them to utilise our increased production capacity. We may have problems of under-utilisation of our new production facilities if demand for our products does not increase at the same rate. In the event that the above events happen or we are unable to achieve the desired utilisation of our production capacity as planned, there could be a material adverse effect on our performance and results of operation.

Furthermore, the future capital expenditure of our Group for the purchase of machinery and equipment may result in an increase in our depreciation expenses and may therefore adversely affect our Group's future results of operations and financial expense performance. Our ability to increase revenue, profit and cash flow therefore depends on our continued ability to expand our production capacity.

We cannot guarantee that the production enhancement and expansion plan will be successfully implemented. There may be uncertainties and risks, such as cost overrun, delays, shortage of labour and shortage of key materials, which are beyond our control and would increase the implementation costs. Any failure to implement our production enhancement and expansion plan may make it difficult to further develop our business operations, take advantage of market opportunities or effectively compete with our competitors. If our capacity expansion does not proceed as we desire, is not timely completed or does not result in the anticipated benefits, our future plans, profitability and growth may be materially and adversely affected.

We depend on suppliers of raw materials and we may not be able to secure a stable supply of raw materials with acceptable quality or on acceptable terms.

The success of our business depends on our ability to obtain sufficient quantities of quality raw materials, such as polyester fibre and trolley component on commercially acceptable terms and in a timely manner. If any of our suppliers fails to deliver raw materials to us in accordance with our production schedule or if we fail to identify alternative sources of raw materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and may materially and adversely affect our business, financial condition and results of operations.

Increases in the prices of raw materials may materially and adversely affect our business, financial condition and results of operations.

The key raw materials used in the production of our products are polyester fibre and trolley component. We have not adopted any hedging policy for forward purchase of polyester fibre and trolley component. The price of these raw materials is affected by a number of factors beyond our control, such as general economic condition and environmental related regulations. If the price of our raw material substantially increases, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs. We may not be able to pass on these additional costs to our customers. Sensitivity analysis illustrating the impact of hypothetical fluctuation in the raw material costs is set forth in the section headed "Financial information — Significant factors affecting our financial condition and results of operations — Cost of inventories sold and labour costs" in this prospectus.

We are facing competition from the OEM manufacturers located in certain Asian countries

We are facing competition from the OEM located in certain Asian countries such as Vietnam which have favourable export policies such as reduced duty rates among member states pursuant to trade agreements. Further information on the favourable export policies on the certain Asian countries are set forth in the section headed "Industry overview — Overview on the global OEM, ODM and OBM market for backpack and luggage — Market drivers within the global OEM, ODM and OBM market for backpack and luggage" in this prospectus. Our customers may decide to engage OEM manufacturers from such Asian countries for production of bag and luggage products to take advantage of these favourable export policies. This increases the competition that we face and such competition may exert downward pressure on the price that we could charge our customers and therefore our gross profit margin. We cannot assume that our Group will continue to compete successfully in the future, and if our Group fails to do so, its business, financial condition and results of operations would be materially and adversely affected.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the EU, the United Nations, Australia and other relevant sanctions authorities.

The U.S. and other jurisdictions or organisations, including the EU, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we made sales of our backpack and luggage products, either through direct sales effort or sales by distributors, to certain Countries subject to International Sanctions, including Egypt, Iraq, Lebanon, Russia, the Balkans, Ukraine and Venezuela. Russia in particular has been subject to a variety of additional sanctions measures since its actions in Crimea were deemed to be illegal by many Western

governments and governmental organizations. The United States has implemented additional sanctions measures against Russian individuals, entities, and organizations during each of 2018 and 2019. Further, the region of Crimea, which is located in between Russia and Ukraine, is subject to comprehensive international sanctions, and while we did not conduct any business transactions in Crimea during the Track Record Period, we sold our products to customers in each of Russia and Ukraine. If our products were to be sold or delivered to Crimea, even unintentionally, we could be subject to potential violations of International Sanctions laws or regulations. During the Track Record Period, our revenue derived from sales to these customers amounted to approximately HK$10.5 million, HK$14.6 million and HK$18.1 million, respectively, representing approximately 1.7%, 2.2% and 2.7% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Please refer to the section headed "Business — Business activities in Countries subject to International Sanctions" in this prospectus for further details.

International Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

We are exposed to risk of inventories obsolescence.

We had inventories of approximately HK$61.5 million, HK$57.9 million and HK$30.0 million as at 31 December 2016, 2017 and 2018, respectively. Our average inventory turnover days were recorded at approximately 48.6 days, 42.0 days and 30.7 days for the years ended 31 December 2016, 2017 and 2018 respectively. The demand for our products is dependent on our customers' preferences and the economic condition of the markets where they operate, which are beyond our control. During the Track Record Period, we have not identified any material events requiring impairment provisioning. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, if we fail to design and produce products which suit customer preference and standard in the future, the volume of obsolete inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially affected.

Breach of covenants under the banking facilities by our Group may result in repayment on demand, which may materially affect our liquidity position.

We did not comply with certain financial undertaking in respect of certain of our banking facilities as at 31 December 2016 and 2017. The lending bank had acknowledged the breach and further confirmed that it will not take any action for demanding an early repayment of the outstanding borrowing.

Our banking facilities contain certain covenants. We cannot assure you that our Group will not breach any covenants under our loan agreements in the future, or that the lending banks will not accelerate the repayment obligations or enforce other remedies against us. If we are required to make early repayment, our liquidity position may be materially and adversely affected. Further, if we fail to renew or obtain bank borrowings due to our failure to fulfil the financial covenants, our business, financial condition and results of operations may also be materially and adversely affected.

We are subject to risks of fluctuations in the exchange rate.

Our financial assets such as trade receivables were substantially denominated in HKD, USD, RMB, while our financial liabilities such as trade payables were substantially denominated in USD and RMB. Our profit margins will be adversely affected to the extent that we are unable to increase the USD denominated selling prices of our products sold to overseas customers or shift the exchange risk to our customers to account for the appreciation of the RMB against the USD.

We have not entered into any agreements to hedge our exchange rate exposure relating to any of these currencies and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future.

Further, any significant fluctuation in the exchange rates between RMB and US$ may result in increases or decreases in our reported costs and earnings and give rise to uncertainties in the values of net assets, profits and dividends. Therefore, we cannot assure you that the arrangement of using different currency will be risk-free. Any loss resulting from such arrangement may materially and adversely affect our financial condition and results of operations.

Our operations may be subject to tax risks relating to our transfer pricing arrangement

During the Track Record Period and up to the Latest Practicable Date, tangible goods buy-sell transactions were conducted among our Group's entities in Hong Kong, the PRC, Denmark and Germany. The intra-group transactions of our Group are subject to the transfer pricing laws and regulations of Hong Kong, the PRC, Denmark and Germany. Further details are set forth in the sections headed "Business — Transfer pricing arrangement" and "Financial information — Results of operations — Income tax expenses — transfer pricing". The *OECD Transfer Pricing Guidelines* mandates that related party transaction should comply with the "arm's length principle" and this proposition is also adopted by tax administrations around the world, including Hong Kong, the PRC, Denmark and Germany in which the Group operates. As at the Latest Practicable Date, based on the transfer pricing review conducted by our transfer pricing adviser, there is no indication that the intra-group transactions are in breach of the arm's length principle.

We cannot assure that the relevant tax authorities would not challenge the transfer pricing arrangement of our Group. If any regulatory tax authority determines that our transfer pricing arrangements do not comply with the relevant transfer pricing laws and regulations, or consider that our intra-group transactions are not in line with the arm's length principle, we may face adverse tax consequences, such as the payment of

outstanding tax, statutory interest or tax penalty. Such adverse tax consequences could result in a higher overall tax liability for our Group and may adversely affect the business, financial condition and results of operation of our Group.

Our success depends on our ability to attract, retain and motivate our senior management team and other staff members.

The talent, experience and leadership of our key executives and senior management team are critical to the success of our business. In particular, our executive Directors, Mr. Berg, Mr. Cheng and Mr. Henriksen have been pivotal to our success and we rely heavily on their continual service. In addition, other members of our senior management team also have substantial experience and expertise in our business and have made significant contributions to our growth and success. Further details of the background and experience of our Directors and senior management are set forth in the section headed "Directors and senior management" in this prospectus. There is no assurance that these key executives and members of senior management will not voluntarily terminate their employment with us. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires.

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

We operate in a labour intensive industry and we may face labour shortages in the production peak season. Therefore, we may need to employ more production workers to meet our production schedule. We cannot assure you that we will not experience any shortage of labour or that the cost of labour in the PRC will not increase in the future. If we experience a shortage of labour, we may not be able to maintain our production volumes. This will in turn adversely affect our operations and could harm our business and financial performance. In addition, if labour costs increase in the PRC, our production costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures, which could have a material adverse effect on our business, financial condition and results of operations. Sensitivity analysis illustrating the impact of hypothetical fluctuation in the labour costs is set forth in the section headed "Financial information — Significant factors affecting our financial condition and results of operations — Cost of inventories sold and labour costs" in this prospectus.

In addition, in recent years it has been reported that the severe working environment has caused labour disruptions among workers in the PRC. We cannot assure you that future labour disputes or incidents will not occur. If they do occur, they could interrupt our operations, harm our reputation and divert our management's attention and resources, which could have a material adverse effect on our business operations and financial condition. In addition, we may be liable for fines assessed by the relevant governmental authorities or incur settlement costs in order to resolve labour disputes and become subject to higher labour costs in the future when recruiting new employees due to the reputation damage caused by labour disputes or related incidents.

We may not be able to successfully implement our future expansion plans in time, or achieve the anticipated results.

As part of our future growth strategies, we plan to implement various future expansion plans as further described in the sections headed "Business — Our business strategies" and "Future plans and use of proceeds" in this prospectus. The successful implementation of our business plans depends on a number of factors, such as customers' demands, competitive landscape, and developments in the political, economic or social conditions in the PRC and our other target markets. All of these factors are beyond our control. Our future expansion plans are based on circumstances currently known to our Directors and certain assumptions. There is no assurance that we will be able to implement our business plans as scheduled nor that any such plans will be as successful as contemplated by us. Any failure or delay in achieving any or all of our business plans may have a material adverse effect on our business, financial condition, results of operations and prospects.

Disruptions, damage or destruction to our production facilities, equipment and machinery may materially and adversely affect our business, financial condition and results of operations.

The success of our business depends on, among other things, the continual operations of our Shenzhen Factory and Jiangxi Factory at which our only production facilities are located. The operations of our production facilities, may be affected by fire, flood or power failure, breakdown of equipment and machinery at our production facilities, or scheduled maintenance of our equipment and machinery. The occurrence of any unanticipated or prolonged disruptions, damage or destruction to our production facilities, equipment and machinery may affect our ability to produce and deliver products to our customers and distributors in a timely manner, or at all, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our goodwill is subject to impairment review and any goodwill impairment may negatively affect our reported results

Our goodwill amounted to approximately HK$14.9 million, HK$14.9 million and HK$14.6 million as at 31 December 2016, 2017 and 2018, respectively. Our goodwill represents goodwill arising from acquisition of our subsidiaries. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units.

The recoverable amounts of cash generating units are determined from value-in-use calculations, which are derived from cash flow projections based on the most recent five-year financial budgets approved by our management. The key assumptions include an expected gross margin ranging from 22.5% to 22.6%, a growth rate ranging from 5.6% to 5.7% per annum to extrapolate the cash flow, and a pre-tax discount rate of 14.0% per annum that reflect the current market assessments of the time value of money and the risks specific to the cash generating units. For further details of our accounting policies of intangible assets impairment assessment, and the estimates and assumptions involved, please refer to note 2.11 "Summary of significant accounting policies — Intangible assets", note 2.12 "Summary of significant accounting policies — Impairment of non-financial assets" and note 15 "Intangible assets" set out in the Accountant's Report in Appendix I to this prospectus. Please also refer to note 15 "Intangible assets" for a sensitivity analysis on the key assumptions and a headroom assessment of the goodwill impairment assessment. As the factors underlying the key assumptions for the value-in-use calculations may change, we may incur impairment charges on our goodwill in the future. Any such impairment charge would adversely affect our reported results.

We may be subject to risks in relations to our intellectual property rights and we may be exposed to claims in respect of infringement of intellectual property rights.

The success of our business relies heavily upon our ability to protect our intellectual property rights and those of our customers (concerning mainly product design and specifications) that came into our possession for production. We cannot give assurance that our measures intended to protect the above-mentioned intellectual property rights are sufficient in preventing any possible infringement by third parties, or any possible leakage of confidential information relating to these intellectual property rights by our staff who have access to such information.

For the *Ellehammer* brand business, intellectual property rights, especially trademarks, are important to our business and competitive position. As at the Latest Practicable Date, we owned 30 trademarks in various countries which in the opinion of our Directors are material to our business. Details of our trademarks are set forth in the section headed "Statutory and general information — B. Further information about our business — 2. Intellectual property rights" in Appendix V to this prospectus.

There is no guarantee that we will not be involved in claims in respect of infringement of intellectual property rights. Intellectual property rights litigation can be costly and time-consuming, and could divert our management's attention from business operations. In addition, should we be held liable for trademark infringement, our reputation as well as our business, financial condition and results of operations may be materially and adversely affected.

The appraisal value of our properties may be different from their actual realisable values and are subject to uncertainty or change

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties is based on various assumptions, certain of which are subjective and uncertain in nature. Details of assumptions that used by Vigers Appraisal & Consulting Limited, an independent property valuer, in the valuation of our property interests, please refer to Appendix III to this prospectus.

We cannot assure you that the assumptions used in the valuation of our property interests will be realised. Such assumptions may exceed the corresponding parameters in the current market and/or corresponding historical parameters associated with our properties. Hence, the appraised value of our properties should not be taken as their actual realisable value or a forecast of their realisable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value in the property valuation report to our properties.

We may be subject to product liability claims if the use of our products has resulted in bodily injuries, property damage or other losses to our customers or the consumers of our customers' end-products.

We may face product liability claims from our customers or the consumers of our customers' end-products on the grounds that the use of our products has resulted in their bodily injuries, property damage or other losses. In the overseas markets, the relevant laws and regulations impose strict liability on the manufacturers for the losses caused by defective products. The occurrence of such problems may result in recalls of our products and significant damage to our reputation. We cannot assure you that such incidents will not occur in the future. We may incur legal liabilities and have to compensate consumers or customers for any loss or damage they suffer in respect of valid product liability claims. We may also have to spend significant resources and time to defend ourselves if legal proceedings for product liability are instituted against us. In addition, adverse publicity from these types of concerns, whether valid or not, may discourage customers from purchasing our products. If customers lose confidence in our products, we may experience long-term declines in our sales, which may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

Changes in consumer spending patterns could materially affect our growth and profitability.

We operate in a cyclical industry in which changes in economic conditions affect the level of consumer spending on our merchandise. Consumer spending patterns are affected by, among other factors, business conditions, interest rates, taxation, local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Consumer preferences and economic conditions may differ or change from time to time in each market in which we operate. We cannot guarantee that we will be able to maintain our historical rates of growth in net sales and net income, or remain profitable, particularly if the retail environment is stagnant or declines. Further, a recession in the general economy or uncertainties regarding future economic prospects could affect consumer spending habits and have a material adverse effect on our financial condition and results of operations.

We face intense competition as a manufacturer in the backpack and luggage industry in the PRC.

There is no specific market entry barrier for the backpack and luggage industry which our Group is engaged in and on the whole it is also not subject to any major restrictions for market entry. Market players in the backpack and luggage industry face global competition, where our Group faces more direct competition in the PRC.

Competition from existing and new players may exert pressure on the price of our Group's products. The success of our Group depends on its ability to compete effectively against these competitors in terms of product range, pricing, product quality and sales network coverage. Our competitors may have stronger financial resources, lower pricing and better business reputation than we do. There is no assurance that our Group will continue to compete successfully in the future, and if our Group fails to do so, its business, financial condition and results of operations would be materially and adversely affected.

The bag and luggage industry is very scattered and there are numerous players in the market. If we fail to keep up with the pace of technological developments in the bag and luggage industry, we may lose our competitiveness.

Constant refinements to manufacturing process and related machinery and the introduction of new technologies are continually improving the quality, productivity, safety, speed, reliability and energy efficiency within the backpack and luggage industry. Technological improvements and increases in the level of automation, not only in the production process but also in the pre- and post-production stages, offer cost savings on raw materials, time and labour, and reduce human error while enhancing product quality. If our Group is not able to upgrade our technologies to meet customers' demands, our business, competitiveness, financial condition and results of operations may be materially and adversely affected.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Our business, financial condition, results of operations and prospects may be materially and adversely affected if such natural disasters occur in places where we operate or where our products are sold, whether directly or indirectly. Political unrest, acts of war and terrorist attacks may cause damage or disruption to us, our employees, our suppliers, our customers, brand companies using our products and our markets, any of which may materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as SARS or incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic could cause a slowdown in the levels of economic activity generally, which, in turn, may materially and adversely affect our results of operations and the price of our Shares.

RISKS RELATING TO THE PRC

Our Group's business could be materially and adversely affected by changes in economic, political and social conditions in the PRC, as well as by changes in policies adopted by the PRC government.

Substantially all of our manufacturing activities are conducted in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government continues to play a significant role in regulating industry development for example by imposing industrial policies and exercising significant control over the PRC's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any changes in the PRC government measures may have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government has also recently implemented certain measures, including recent interest rate adjustment, in an attempt to control the rate of economic growth. These measures may decrease economic activities in the PRC, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Uncertainties in the PRC's legal system could materially and adversely affect our Group.

Our Group's operations are subject to the PRC laws and regulations. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, many of these laws and regulations are relatively new and evolving, and are subject to different interpretations and may be inconsistently implemented and enforced. In addition, limited volumes of published court decisions may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of these laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you and adversely affect the value of your investment.

Government control over currency conversion may affect the value of our Shares and limit our ability to utilise our cash effectively.

Substantially all our costs are denominated in RMB, while our sales are mainly denominated in US$. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch or a competent bank is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices and volume of the Shares may be volatile, which could result in substantial losses to investors

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

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

Investors in the Share Offer may experience dilution if our Company issues additional Shares in the future.

In order to expand our business, our Company may consider issuing additional Shares in the future. Investors of our Shares may experience immediate dilution in the net tangible asset book value per Share if our Company issues additional Shares in the future at a price which is lower than the then net tangible asset book value per Share.

Substantial future sale of the Shares in the public market could adversely affect their trading price.

Sale of substantial amounts of the Shares in the public market after the completion of the Share Offer, or the perception that such sale could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that our Controlling Shareholders would not dispose of their Shares. Any significant disposal of the Shares by any of our Controlling Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for our Company to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Certain facts and statistics from official sources contained in this prospectus have come from various government official publications whose reliability cannot be assumed or assured.

Facts and statistics from official sources contained in this prospectus are derived from various publicly available government official publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that the facts and statistics in this prospectus are accurately reproduced from other respective official sources, these facts and statistics have not been independently verified by us. Our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer do not make any representation as to the accuracy or any other facts and statistics derived from government official publications,

which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government official publications may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There are risks associated with the forward-looking statements contained in this prospectus.

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "believe", "consider", "estimate", "expect", and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions are proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

SELLING SHAREHOLDER

As part of the Share Offer, the Selling Shareholder will offer 80,000,000 Sale Shares under the Placing at the Offer Price, representing 32.0% of the total number of Offer Shares.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" in this prospectus and in the related Application Forms.

The Listing is sponsored by Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters and Placing is expected to be fully underwritten by the Placing Underwriters.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

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

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

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

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

Our Company's principal share register will be maintained by our Principal Share Registrar in Cayman Islands and our Company's Hong Kong branch share register will be maintained by our Hong Kong Branch Share Registrar in Hong Kong.

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Hong Kong Branch Share Registrar. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of the Company maintained by our Principal Share Registrar in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB or US$ into HK$, respectively at specified rates. For illustration purpose only, you may make conversion of US$ and RMB into HK$ in this prospectus based on the exchange rate as at the Latest Practicable Date set out below:

US$1.00 = HK$7.80
RMB1.00 = HK$1.15

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HK$ and vice versa at such rates or any other exchange rates.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Thomas Berg	H6 of Floral Villas No. 18 Tso Wo Road Tso Wo Hang Sai Kung, New Territories Hong Kong	Danish
Mr. Morten Rosholm Henriksen	V. Stendersvej 6, DK-8680 Ry Denmark	Danish
Mr. Cheng Wai Man (鄭偉民)	Flat B, 10/F Villa Rhapsody Block 15 Symphony Bay Sai Sha Road Ma On Shan, New Territories Hong Kong	Chinese
Non-executive Directors		
Mr. Fung Bing Ngon Johnny (馮炳昂)	Flat F, 5/F, Block 16 Tai Po Centre 6 On Pong Road Tai Po, New Territories Hong Kong	Chinese
Mr. Xiong Jianrui (熊劍瑞)	Flat 25H, Choi Tien Mansion Horizon Garden 11 Taikoo Wan Road Hong Kong	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Tang Tin Lok Stephen (鄧天樂)	9/F, King's Building 293B Prince Edward Road West Kowloon Hong Kong	Australian
Mr. Lau Ning Wa Ricky (劉寧樺)	Flat A, 11/F, Tower 7 Bel-Air No.8 Bel-Air on the Peak 8 Bel-Air Peak Avenue Hong Kong	Chinese
Ms. Zhou Jing (周靜)	Flat A, 12/F Rich Court 88 Peel Street Central Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED

Sole Sponsor	**Dakin Capital Limited** *(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activities under the SFO)* Suites 4505-06, 45/F Tower 1, Lippo Centre 89 Queensway Hong Kong
Joint Bookrunners and Joint Lead Managers	**Dakin Securities Limited** *(A licensed corporation carrying on Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities under the SFO)* Suite 3509, 35/F Tower 2, Lippo Centre 89 Queensway Hong Kong **Opus Capital Limited** *(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)* 18/F Fung House 19-20 Connaught Road Central Central Hong Kong

China Investment Securities International Brokerage Limited
(A licensed corporation carrying on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
Unit Nos. 7701A & 05B-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

HK Monkey Securities Limited
(A licensed corporation carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)
Unit 2307
Tower 1, Lippo Center
89 Queensway
Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong law
David Fong & Co.
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

As to PRC law
Commerce & Finance Law Offices
2301, Building A
Aerospace Science and Technology Plaza
Northeastern Intersection of Houhaibin Road and Haide 3rd Road
Nanshan District, Shenzhen
PRC

As to Cayman Islands law and BVI law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Danish and German law
DLA Piper Denmark Law Firm Limited Partnership
DOKK1
Hack Kampmanns Plads 2, Level 3
DK-8000 Aarhus C
Denmark

As to International Sanctions and U.S. law
Hogan Lovells
11th Floor
One Pacific Place
88 Queensway
Hong Kong

Legal adviser to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters	*As to Hong Kong law* **Benny Pang & Co** 27th Floor 100QRC 100 Queen's Road Central Central Hong Kong *As to PRC law* **Dentons** 3/F&4/F, Block A Shenzhen International Innovation Center No. 1006, Shennan Boulevard Futian District Shenzhen PRC
Auditors and Reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F Prince's Building Central Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10/F, Tomorrow Square 399 West Nanjing Road, Huangpu District Shanghai
Property valuer	**Vigers Appraisal & Consulting Limited** 27/F, Standard Chartered Tower Millennium City 1 388 Kwun Tong Road Kowloon Hong Kong
Transfer pricing adviser	**Mazars Tax Services Limited** 42/F, Central Plaza 18 Harbour Road, Wanchai Hong Kong

Compliance adviser	**Dakin Capital Limited** *(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activities under the SFO)* Suites 4505-06, 45/F Tower 1, Lippo Centre 89 Queensway Hong Kong
Receiving bank	**DBS Bank (Hong Kong) Limited**
Selling Shareholder	**Berg Group Holding Limited** 20/F., Alexandra House 18 Chater Road, Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal office of business in Hong Kong	Flat D, 7/F, Block 2 Tai Ping Industrial Centre 55 Ting Kok Road, Tai Po New Territories Hong Kong
Company secretary	Ms. Shut Ya Lai Flat C, 16/F, Block 7 Sea Crest Villa Phase 3 No. 18 Castle Peak Road Tsing Lung Tau, Tsuen Wan New Territories Hong Kong
Authorised representatives	Mr. Thomas Berg H6 of Floral Villas No. 18 Tso Wo Road Tso Wo Hang Sai Kung, New Territories Hong Kong Ms. Shut Ya Lai Flat C, 16/F, Block 7 Sea Crest Villa Phase 3 No. 18 Castle Peak Road Tsing Lung Tau, Tsuen Wan New Territories Hong Kong
Members of audit committee	Mr. Tang Tin Lok Stephen *(Chairman)* Mr. Lau Ning Wa Ricky Ms. Zhou Jing

Members of remuneration committee	Mr. Lau Ning Wa Ricky *(Chairman)* Mr. Tang Tin Lok Stephen Ms. Zhou Jing Mr. Thomas Berg
Members of nomination committee	Mr. Thomas Berg *(Chairman)* Mr. Tang Tin Lok Stephen Mr. Lau Ning Wa Ricky Ms. Zhou Jing
Cayman Islands principal share register and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bank	**The Hongkong and Shanghai Banking Corporation** HSBC Main Building 1 Queen's Road Central Hong Kong
Company's website	www.grown-up.com *(information of the website does not form part of this prospectus)*

Unless indicated otherwise, the information presented in this section is derived from the CIC Report, which was commissioned by us and prepared by CIC as a market research tool. References to CIC should not be construed as the opinion of CIC as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information and statistics contained in this section are appropriate sources for such information and statistics and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by CIC and set out in this section has not been independently verified by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, or any other party involved in the Share Offer or their respective directors, officers, employees, advisers, and agents (apart from CIC), and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

Our Group has commissioned CIC, an independent industry consultant, to conduct an analysis of and to produce a final report on the global OEM & ODM market for backpacks and luggage for the period from 2013 to 2023. The CIC Report as commissioned by our Group has been prepared by CIC independent of our influence. We paid CIC a fee of HK$910,000 for the preparation of the report, which our Group considers to be in line with market rates.

Research methodology

CIC's independent research was conducted using both primary and secondary research approaches. Primary research involved interviewing industry experts and leading industry participants, while secondary research involved analysing data from various available public data sources, such as the National Bureau of Statistics of China, the World Bank, the International Monetary Fund, etc.

Basis and assumptions

The market projections in the report were obtained from analyses of historical data and underlying market drivers. In preparation of the CIC Report, several key assumptions were adopted by CIC as follows: (i) both economic and industry-specific development is likely to maintain steady growing trends during the next decades in key global markets (including North America, the EU, Japan, China, and other APAC region); (ii) related key industry drivers are likely to continue driving growth in the global backpack and luggage manufacturing, export and retail markets in key global regions (including North America, the EU, Japan, China, and APAC region) throughout the forecast period, which includes increase in customer affordability and the transfer of a growing share of backpack and luggage manufacturing to OEMs and ODMs; and, (iii) there is no extreme *force majeure* or industry regulation in which the market may be affected either dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, and after taking reasonable care, there was no adverse change in market data since the release date of the CIC Report, which may qualify, contradict, or have an impact on the information as disclosed in this section.

OVERVIEW OF THE BACKPACK AND LUGGAGE RETAIL MARKET IN KEY GLOBAL MARKETS

Introduction to different varieties of products

Backpacks refer to bags with one or two over the shoulder straps used to carry a load on one's back, and also tote bags, duffel bags, and others. In this report, backpacks and others can be categorised into casual backpacks (fashion & casual backpacks), outdoor backpacks (outdoor & sporting backpacks), business backpacks, and made-to-order backpacks and others.

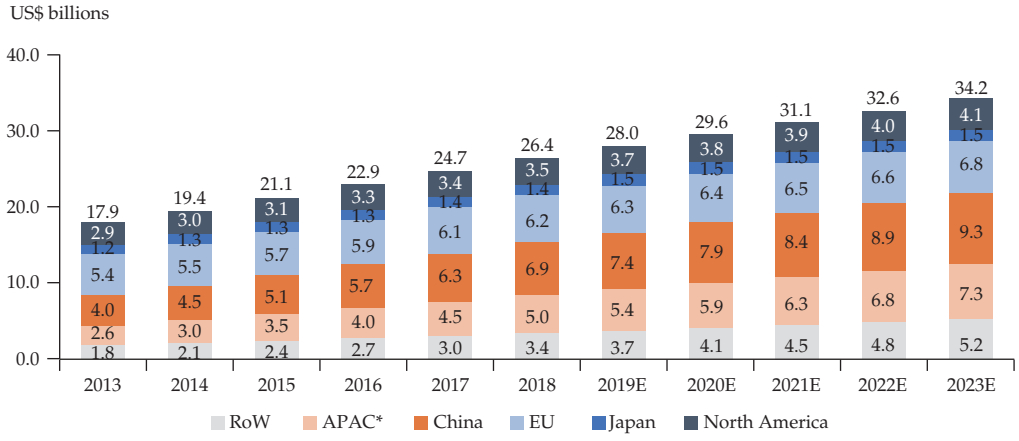
Luggage refers to wheeled cases that are normally used while a traveller is in transit and in need of a receptacle to hold the traveller's articles, including clothing, toiletries, any trip necessities, etc. Luggage can be further defined as hard-side luggage, soft-side luggage, and hybrid luggage.

Retail sales of backpacks in key global market

Between 2013 and 2018, global retail sales of backpacks increased from US$17.9 billion to US$26.4 billion, representing a CAGR of approximately 8.1%, and this increase was driven by a rising standard of living and the increasing popularity of outdoor activities. This growth is expected to continue in the years ahead, with the retail sales of backpacks projected to reach US$34.2 billion by 2023. Developed markets have long been major customers for middle-to high-end backpack products. Between 2013 and 2018, retail sales of backpacks in North America grew from US$2.9 billion to US$3.5 billion, representing a CAGR of approximately 4.0%. Between 2013 and 2018, retail sales of backpacks in the EU countries grew from US$5.4 billion to US$6.2 billion at a CAGR of approximately 3.0%. Looking ahead, retail sales of backpacks in North America and the EU countries are expected to remain relatively steady in the future.

Between 2013 and 2018, retail sales of backpacks in China continued to increase from US$4.0 billion to US$6.9 billion, representing a robust CAGR of approximately 11.5%. The rapid increase of net income in China has been the major driving force behind the market's strong growth. Meanwhile, the APAC region followed a similar positive trend in recent years, with retail sales increasing from US$2.6 billion in 2013 to US$5.0 billion in 2018. From 2018 onwards, this market is projected to continue to grow at a strong CAGR of roughly 8.2% to reach US$7.3 billion by 2023. With nearly 24 member countries and a huge population base, the demand for backpacks in the APAC region will continue to grow. Finally, retail sales of backpacks in all other countries also increased at a CAGR of 13.3% between 2013 and 2018, and is projected to reach US$5.2 billion by 2023.

Retail sales of backpacks by key global market, 2013–2023E



Note: ** refers to all APAC members excluding China and Japan.*

Source: *CIC Report*

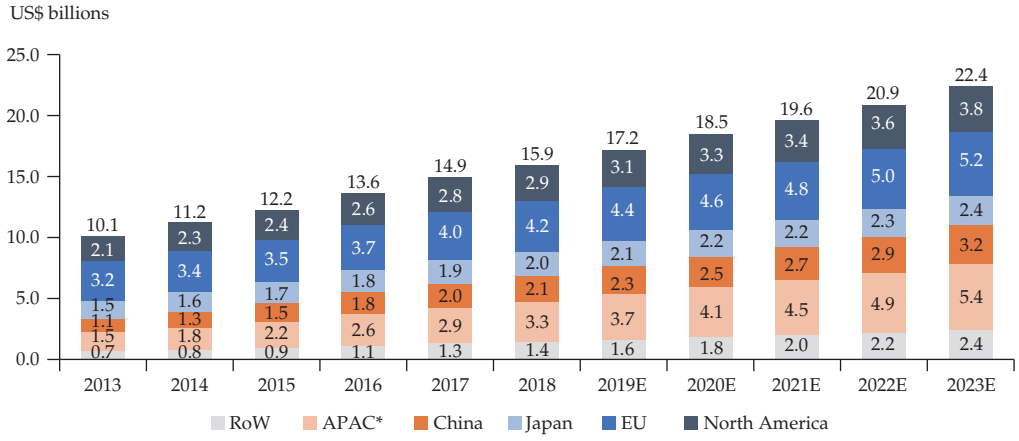
Retail sales of luggage by key global market

Between 2013 and 2018, global retail sales of luggage grew rapidly from US$10.1 billion to US$15.9 billion, representing a CAGR of approximately 9.5%, which was driven by expanding global tourism industry in both business and personal travel. From 2018 onwards, it is expected that global retail sales of luggage will continue to grow at a CAGR of approximately 7.1% and is projected to reach US$22.4 billion by 2023.

Developed markets have already reached a mature stage in their development and so they are growing at a relatively slower pace.

Meanwhile, the demand for luggage has continued to increase as a result of growing spending on travel and tourism, spurred on by rapidly rising disposable income in developing markets, which has in turn driven the growth in these markets. With rapidly rising purchasing power and increasing spending on tourism in the years ahead, developing markets are set to continue prospering. From 2018 onwards, retail sales values in China, APAC region, and all other countries are expected to continue growing at respective CAGRs of approximately 8.1%, 10.6%, and 10.8%, reaching US$3.2 billion, US$5.4 billion, and US$2.4 billion, respectively, by 2023.

Retail sales of luggage by key global market, 2013–2023E



Note: ** refers to all APAC members excluding China and Japan.*

Source: *CIC Report*

Market trends within the global backpack and luggage market

Rapidly increasing consumer demand for outdoor and sports products

As consumers have become increasingly more health conscious, their willingness to participate in outdoor and sports activities has also continued to increase. This trend is expected to support an overall expansion in the outdoor and sports segment within the backpack industry. As a result, the current market share taken by the outdoor and sports segment is expected to gradually rise as a percentage of total backpack consumption. This trend is expected to continue to increase in the forthcoming years, especially with substantially greater in awareness towards healthy lifestyle.

Increasing global tourism expenditures

The international tourism market has undergone expansion in terms of both business and personal travel, with the total number of trips surged from 1.10 billion trips in 2013 to 1.38 billion trips in 2018, representing a CAGR of approximately 4.7%. This number is expected to further increase to 1.73 billion in 2023, representing a CAGR of approximately 4.6% between 2018 and 2023. This expansion has driven the demand for backpack and luggage used for travel purposes. With the global economic environment continuing to grow, global tourism is also projected to continue expanding throughout the coming years, which points to greater future demand for backpacks and luggage used for travel purposes.

Fashion-led changes in design

In recent years, consumers have increasingly sought out the latest fashion in terms of backpack and luggage products and are focusing their attention towards backpack and luggage brands in the fashion and mainstream categories. Today, backpack and luggage products are not simply just for carrying and travelling, they are also considered as fashionable accessories which could enhance a traveler's style and personality. As a result, fashion-led changes in design have become a major trend in the global backpack and luggage industry.

Further scaling-up plans for backpack and luggage brand companies

With family wealth and individual disposable income increasing worldwide, worldwide retail consumption is anticipated to rise at the same time. This trend will drive the consumption of backpack and luggage. Backpack and luggage manufacturers need to further scale up their production volume in order to maintain their position in the market and avoid losing market share in an increasingly intense global competitive environment. This will therefore drive worldwide manufacturing demand for backpack and luggage, with this trend likely to be sustained well into the future.

OVERVIEW ON THE GLOBAL OEM, ODM AND OBM MARKET FOR BACKPACK AND LUGGAGE

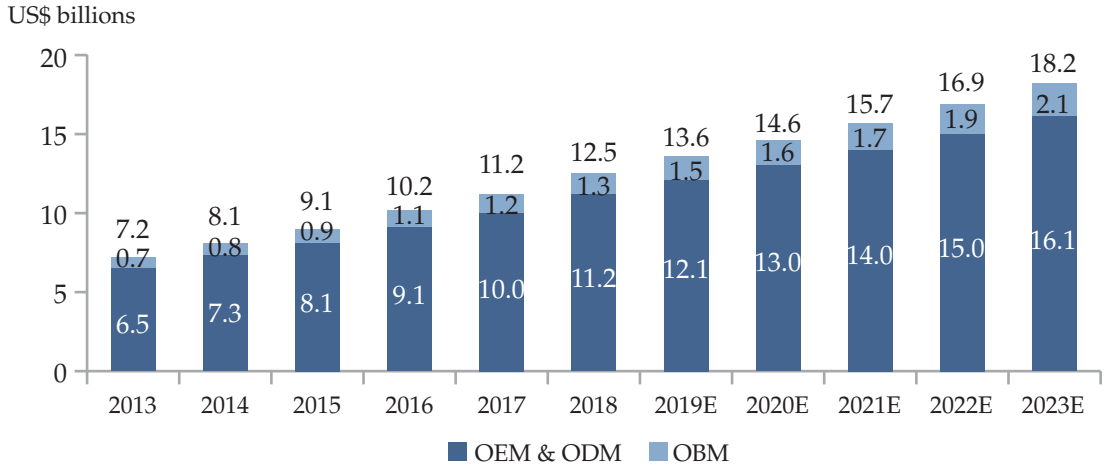
Analysis of the industry value chain for the global OEM, ODM and OBM market for backpack and luggage

In general, OEM, ODM and OBM are three different kinds of business model that provide for different value propositions according to business coverage and focus on distinct parts and/or processes within the industry.

Business model	Definition	Service provided
OEM	OEM is a type of manufacturing that receives samples and designs from customers, and manufactures the products to be sold under the brand of its customers.	• Production
ODM	ODM is a type of manufacturing under which products are designed and manufactured by (i) the manufacturers with reference to the general concepts provided by the customers and are marketed and sold under the customers' brand names; and (ii) the licensee of a brand licensor with the design subject to the approval of the brand licensor and are marketed and distributed under the name of the brand licensor by the brand licensee	• Production • Design & development • Distribution & branding (for licensed brand products only)
OBM	OBM is a type of manufacturing under which the manufacturer fully owns its brand, and designs and manufactures the products, which are sold to end customers under its own brand.	• Production • Design & development • Distribution & branding

Size of ex-factory revenue in the global OEM, ODM and OBM market for backpack and luggage

Size of ex-factory revenue in the global OEM, ODM and OBM market for backpack and luggage, 2013–2023E



Source: CIC Report

In 2018, the global OEM & ODM market and the global OBM market accounted for 89.4% and 10.6% in the global OEM, ODM and OBM market for backpack and luggage products, respectively. The market size of OBM refers to the total ex-factory revenue generated from OBM business by the OEM factories and excludes pure OBM market players which do not involve in the OEM market segment.

The size of ex-factory revenue in the global OEM, ODM and OBM market for backpack and luggage increased significantly between 2013 and 2018 from US$7.2 billion to US$12.5 billion, which represents a CAGR of approximately 11.7%. The size of ex-factory revenue in the global OEM, ODM and OBM market for backpack and luggage is expected to further increase to US$18.2 billion by 2023, representing a CAGR of approximately 7.8% for the period from 2018 to 2023.

Between 2013 and 2018, the size of ex-factory revenue in the global OEM and ODM market for backpack and luggage products increased from US$6.5 billion to US$11.2 billion, representing a CAGR of approximately 11.5%. This growth was driven primarily by the increasing consumption of backpack and luggage, low cost advantages in allowing OEMs to remain top options for backpack & luggage companies and favourable trade policies boosting trade volume for key manufacturing regions in Asia. These drivers are expected to be maintained in the forthcoming years. For the period from 2018 to 2023, this number is forecasted to reach US$16.1 billion, representing a CAGR of approximately 7.6%.

The size of ex-factory revenue for the global OBM market for backpack and luggage products increased at a stable pace between 2013 and 2018, growing from US$0.7 billion to US$1.3 billion, representing a CAGR of approximately 13.2%. It is anticipated it will continue to expand at a CAGR of approximately 9.2% between 2018 to 2023, increasing to US$2.1 billion by 2023. With the increasing attention placed on OBM business by OEM & ODM factories due to the higher profit margin of OBM products, the size of global OBM market is expanding quickly despite the fact that the proportion of revenue generated from OBM business is still relatively small when compared with OEM and ODM business. As more resources are allocated to OBM business, the market share of OBM segment in the global backpack and luggage market is anticipated to increase in the forthcoming years.

Market drivers within the global OEM and ODM market for backpack and luggage

Increasing retail sales and consumption of backpack and luggage globally

With rising standards of living and increasing consciousness towards health, global retail sales and the consumption of backpack and luggage have grown rapidly in recent years. In terms of developed markets, North America and the EU have always been the two largest retail markets for backpack and luggage due to the fact that these two regions benefit from the world's highest level of individual disposable income and consumption expenditures. At the same time, the retail sales value for backpack and luggage in developing countries have also grown rapidly. This growth reflects the continuous, fast-paced increase in the purchasing power enjoyed by the larger population in these countries. This is especially true for countries in the APAC region, which remain the largest consumers of backpack and luggage worldwide. Therefore, this growing consumption is expected to boost the manufacturing demand for backpack and luggage in the future.

Low cost advantages and more flexible combinations in terms of manufacturing locations

Backpack and luggage brands have been transferring an increasing share of their manufacturing volume to backpack & luggage OEMs. This was primarily due to the cost saving advantages of OEM, with OEM manufacturers benefiting from both the lower labour costs and lower raw material purchasing costs in Asian countries. Moreover, given the increased flexibility when cooperating with OEMs across different geographical locations, branded companies can optimise their shipment options and consequently lower their logistics costs. As a result, the global backpack & luggage OEM market has been presented with an opportunity to take on an increasing share of manufacturing from brand-owned factories, leading to a gradual increase in production volume and greater revenue.

Favourable export policies for a selected number of Asian countries

Moreover, favourable tax rebates and trade policies enacted by a number of national governments are driving increases in the export volume for backpack and luggage manufactured in Asian countries. For example, a free trade agreement ratified by the EU has positively impacted Vietnam in terms of gradually lowering duty rates. The Trans-Pacific Partnership Agreement between Australia, Brunei, Canada, Chile, Japan,

Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam would reduce duties between its member states and eliminate many other trade-related fees. These kinds of favourable trade policies will help strengthen these Asian countries' current advantages, consequently leading to an increased share of the world's backpack and luggage being manufactured in OEM factories located in Asia.

Increasing capabilities for offering ODM services increasing the industry's overall potential

As OEM companies continue to accumulate more experience in manufacturing, some of them have also invested in and have gradually obtained capacities for industrial and mechanical design. Thus, these manufacturers can now offer ODM services, whereby downstream customers need only to provide the ODM companies with rough ideas as to the function and targeted customers of a product for them to take on responsibilities for model design or improvements, manufacturing, and even the provision of after-sale services. This kind of OEM-to-ODM transformation can add a premium to companies' service offerings, and with this entire industry playing an increasingly important role in the value chain, ultimately enhancing its bargaining power.

Market trends within the global OEM and ODM market for backpack and luggage

More challenging requirements placed on the manufacturing know-how of backpack and luggage OEMs and ODMs

For an extended period of time, the role of OEMs in the global backpack industry's value chain has been solely associated with a scaling-up of manufacturing. However, some of the leading OEM players have started to take on increasingly more complex and differentiated roles, e.g., providing backpack brands with a choice of colour schemes based on a wider spectrum, a wider range of material selections and more sophisticated style cropping. These are all aimed at providing a greater value compared with traditional manufacturing modes. This kind of know-how will be increasingly important for industry players if they are to adequately address increasingly higher expectations from backpack and luggage brands, while gradually taking on more and more secondary design work, giving brands more time to focus on their most pressing needs such as brand management and so on.

ODMs are of increasing importance to customers as a value-added service

From the perspective of backpack and luggage brands, outsourcing the design and manufacturing of some of their products can bring great added benefits to their business. For example, such arrangement can shorten the manufacturing process and enhance production efficiencies and enable branded companies to better focus their resources on research, development and marketing. Therefore, ODMs are becoming increasingly more important in the market.

Automation and digitalisation are expected to increase manufacturing efficiencies

With the global consumption of backpack and luggage continuing to expand, an increase in production capacities is required in order to successfully meet this rising demand. However, it is becoming increasingly more expensive and difficult to maintain a large team of workers. Therefore, it will be increasingly more important to use modern knowledge and technology to further standardise and digitalise the manufacturing process in order to expand production efficiencies. Automation has been increasingly adopted in the production of industrial goods (e.g., auto parts), with OEMs in various other industries likely to adopt similar techniques in the future so as to increase their production volume and competitiveness.

Consolidation of smaller-sized players

The overall backpack and luggage OEM market is highly fragmented in Asian countries, with tens of thousands of players having presence in these markets. However, in the past few years, some medium- to large-sized players have expanded their business scales by either investing in new factories or by acquiring some smaller-sized players. With high fragmentation and new opportunities for business scalability in the market, the ongoing process towards greater consolidation is expected to continue in the coming years.

Market trends within the global OBM market for backpack and luggage

Increasing diversification of backpack and luggage brands

There is a current trend towards greater diversification in the backpack and luggage market with increasing number of new brands launched by previous OEM and ODM manufacturers. After a long period of development, these companies accumulated a significant amount of experience and resources, having also become competent in handling design and marketing activities. As a result, many of these manufacturers have developed their own in-house brands in order to benefit from greater profitability in the OBM market.

Increasing brand awareness of customers requiring OBMs to have clearer targets

Customers today are becoming more and more brand-conscious and their purchasing decisions are largely influenced by their preference for a given brand. As a result, OBMs must now pay more attention to better positioning their brand. Companies should position their brands carefully and effectively target a customer segment with specified product designs and communication tactics.

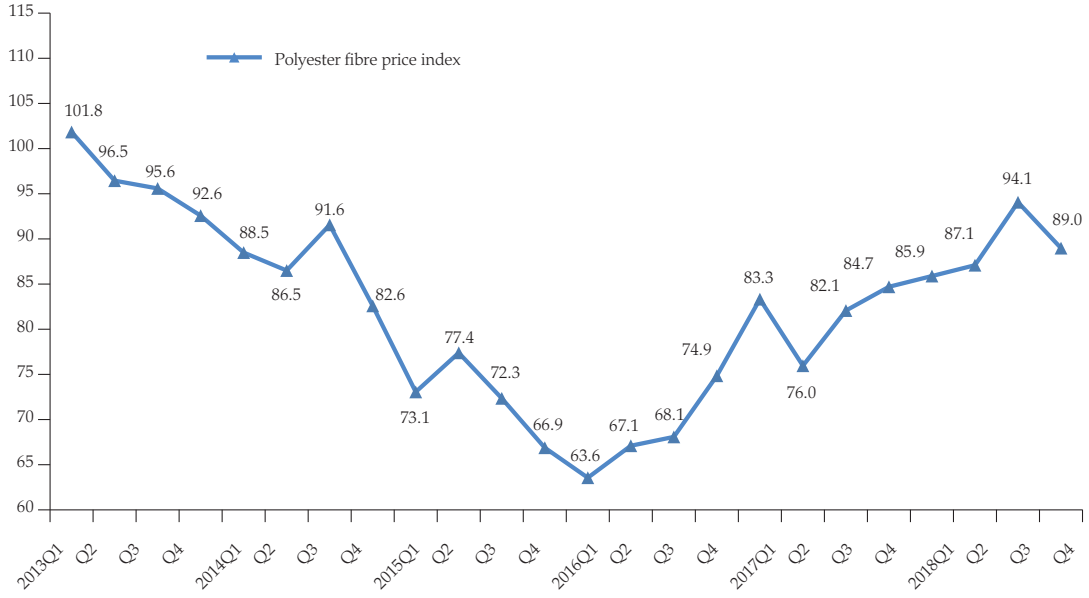
A lot of local brands are making inroads into international markets

The future battlefield for players in the backpack and luggage market will expand, no longer partitioned and limited to a specific local region. With the development of e-commerce, customers are now used to purchasing products on online platforms. It is therefore important for OBMs to establish their international presence and global distribution system.

Raw material analysis

Polyester fibre is the major material used for production of backpack and luggage products.

Price index for polyester fibre used for production of backpack and luggage products, China, 2013-2018

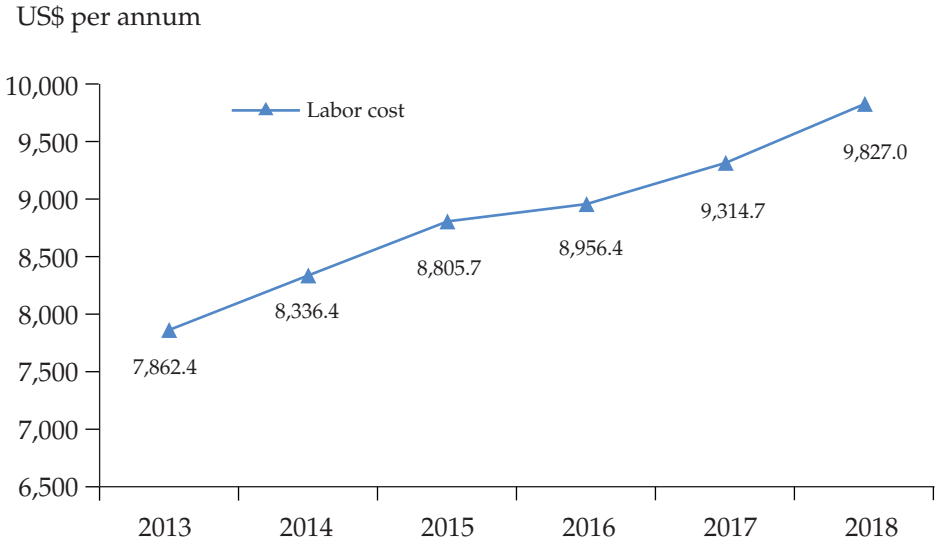


Source: CIC Report

From 2013 to 2018, the price index for polyester fibre in China decreased at a CAGR of 1.6%, from 101.8 in 2013Q1 to 89.0 in 2018Q4. On the demand side, the downstream consumption volume of polyester fibre has been steadily growing with the overall economic growth in China. On the supply side, there has been a steady decrease in production volume owing to the government initiatives on environmental conservation. As a result, the purchase price of polyester fibre experienced a decrease during 2013 to 2015 and a rebound since the beginning of 2016 due to (i) a tighter supply-and-demand balance; and (ii) raw material suppliers generally transfer the increased cost on environmental compliance to their purchasers.

Labour cost analysis

Average wage of all workers in the manufacturing industry, China, 2013–2018



Source: CIC Report

Between 2013 and 2018, China's average wage for manufacturing workers increased at a stable rate from US$7,862.4 per annum to US$9,827.0 per annum, representing a total increase of approximately 4.6%. Driven by continuous increases in the average wage for manufacturing workers in China, backpack and luggage manufacturers are now facing rising labour and manufacturing costs, causing some manufacturers to relocate to other Asian countries with cheaper labour costs.

COMPETITIVE LANDSCAPE OF THE GLOBAL OEM, ODM AND OBM MARKET FOR BACKPACK AND LUGGAGE

Overview of market participants

The global OEM, ODM and OBM market for backpack and luggage is highly fragmented, with tens of thousands of producers having presence across different regions around the world. China, leveraging its great advantage in terms of low-cost labour, as well as continuous increases in education levels, has grown to become the largest backpack & luggage OEM region in the world, accounting for more than half of global ex-factory revenues in 2018.

The top ten players headquartered in China took up a combined market share of approximately 14.45% in 2018, translating into a total ex-factory revenue of US$1,804.0 million that year.

Since the establishment in Hong Kong in 1989, our company has become one of the established global OEM, ODM and OBM companies in the backpack and luggage industry. Our Group ranked the eighth among the OEM, ODM and OBM companies headquartered in China for backpack and luggage products ex-factory revenue based on its ex-factory revenue of approximately US$88.1 million in 2018.

Rankings of OEM, ODM and OBM companies headquartered in China for backpack and luggage products based on total ex-factory revenue in 2018

Company name	Ranking	Origin location	Total ex-factory revenue	Market share
Company A	1	Mainland China	~USD553.0 million	4.43%
Company B	2	Mainland China	~USD256.5 million	2.05%
Company C	3	Taiwan	~USD221.8 million	1.78%
Company D	4	Mainland China	~USD179.9 million	1.44%
Company E	5	Mainland China	~USD131.7 million	1.05%
Company F	6	Mainland China	~USD113.4 million	0.91%
Company G	7	Mainland China	~USD101.0 million	0.81%
Our Group	8	Mainland China	~USD88.1 million	0.71%
Company H	9	Mainland China	~USD80.2 million	0.64%
Company I	10	Mainland China	~USD78.4 million	0.63%

Note:

1. The ranking only includes companies that are headquartered in China (including Hong Kong, Taiwan, and Macau).

2. Except for Company I which provides OEM and ODM services only, all of the above companies provide OEM, ODM and OBM services. Pure OBM factories are excluded for the purpose of this ranking as pure OBM factories adopt different business models compared with the factories providing OEM, ODM and OBM services.

Source: CIC Report

Key success factors for market participants in the global OEM and ODM market for backpack and luggage

Capabilities to expand organically with a diverse product portfolio

OEM companies need capabilities to expand organically and must have a more diverse portfolio of products in order to fulfil the needs of backpack and luggage brands, including the needs for business scalability and product diversification catering for increasingly sophisticated consumer demands. In order to achieve expansion goal, OEM companies need to have healthy financial cash flows so that they have adequate capital to invest in new product development.

Manufacturing know-how and customisation for backpack and luggage brands

Manufacturing know-how and the ability to provide customisation for backpack and luggage brands are both becoming critical success factors for backpack and luggage OEM companies seeking to differentiate themselves from their peer competitors in the industry. For instance, providing brands with a customised and fuller spectrum of colour scheme selections, cropped styles, alongside with various sizes and specifications, is likely to become increasingly more important for backpack and luggage OEM companies in terms of providing value-added choices for backpack and luggage brands.

Full cooperation with leading backpack and luggage brands

Cooperation with global leading backpack and luggage brands will provide OEM companies opportunities to stay up-to-date with the most cutting edge industry practices, the latest design patterns and high product qualities. This relationship will allow OEM companies to remain knowledgeable about industry trends in the downstream market while also building up a stable base of clients.

Entry barriers for the global OEM and ODM market for backpack and luggage

Huge amount of initial investment and the acquisition of fixed assets

In order to set up a new factory, a new entrant needs to invest heavily into the acquisition of required manufacturing facilities, equipment and other fixed assets. New entrants will also need to pay for a combination of variable costs, including rental fees for plants and salaries for a large team of workers. All of these costs create significant barriers in terms of a new entrant's financial capabilities when entering into the OEM and ODM market for backpack and luggage.

Resourceful downstream customer relationships

In order to establish presence in the market, a new entrant must have good relationship with backpack and luggage brands. This is particularly challenging when seeking a cooperative partnership with a leading global backpack or luggage brand. Backpack and luggage brands tend to rely on OEMs that they have worked with as these brands placing a great deal of emphasis on maintaining product quality and consistent supplies. Therefore, it can be a major challenge for a new OEM company to gain a foothold in the market, especially with regards to partnerships with top global brands.

Experience and understanding in manufacturing processes and know-how

Since manufacturing sectors are labour intensive, and backpack and luggage manufacturing involves many long and fragmented processes, the training of factory workers becomes essential. This is especially true for some low-end OEM factories with manufacturing techniques that are often heavily dependent on manual labour. As such, a new OEM seeking to enter into the market must successfully recruit, train and maintain a huge team of workers and middle managers in a given location before starting production.

OVERVIEW

This section summarises the main laws and regulations that are applicable to our business in the principal jurisdictions we operate.

REGULATORY REQUIREMENTS IN THE PRC

Regulations on Foreign Investment

The establishment, operation and management of companies in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the SCNPC on 29 December 1993, implemented on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The Company Law of the PRC also apply to foreign-invested companies, except otherwise provided by relevant laws or regulations on foreign investment. In accordance with the Company Law of the PRC, liability of a company to its creditors is limited to the entire assets owned by the company, and liability of shareholders is limited to the amount of registered capital they have contributed.

The establishment requirements, approval procedures, daily operation and other relevant matters of wholly foreign-owned enterprises shall be subject to the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated by the NPC on 12 April 1986 with effect from the same date and subsequently amended by the SCNPC on 31 October 2000 and 3 September 2016, as well as the Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated by the Ministry of Foreign Economic Relations and Trade (the predecessor of the MOFCOM) on 12 December 1990 and subsequently amended by the State Council on 12 April 2001 and 19 February 2014.

The investment activities conducted by foreign investors in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》, the "**Guidance Catalogue**"), the latest version of which was jointly promulgated by the NDRC and the MOFCOM on 28 June 2017 and amended on 28 June 2018. The Guidance Catalogue divides the industries for foreign investment into three categories: (i) Encouraged Category, (ii) Restrained Category, and (iii) Prohibited Category. On 28 June 2018, the NDRC and the MOFCOM promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》, the "**Negative List (2018 Edition)**") and came into effect on 28 July 2018. Pursuant to the Negative List (2018 Edition), the special administrative measures for the market entry of foreign investment (negative list for the market entry of foreign investment) in the Guidance Catalogue (2017 Revision) shall be simultaneously repealed and the Guidance Catalogue (2017 Revision) of encouraged industries for foreign investment shall continue to be effective. Our principal business in the PRC is precluded from the Negative List (2018 Edition) and is thus within the permitted industry for foreign investment.

According to the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》, the "**Foreign Investment Law**") adopted at by the NPC on 15 March 2019 and shall come into effect as of 1 January 2020, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts. The negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The organization form, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the Company Law and the Partnership Enterprise Law of the People's Republic of China of the People's Republic of China (《中華人民共和國合夥企業法》), and other laws. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions as required in the negative list, and fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

This Law will come into effect as of 1 January 2020 and The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) shall be repealed simultaneously, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organization forms and other aspects for five years upon the implementation hereof.

Regulations on Foreign Exchange Control

In accordance with the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 5 August 2008, and became effective on 5 August 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the SAFE or other relevant authorities for the administration of foreign exchange is obtained.

The Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**Circular 13**") was promulgated on 13 February 2015, implemented and became effective on 1 June 2015. According to Circular 13, foreign exchange registration under domestic direct investment and foreign exchange registration approval under overseas direct investment can be conducted with a qualified bank, instead of the local foreign exchange administrative bureau, and the SAFE shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**Circular 19**") was promulgated on 30 March 2015 and came into effect from 1 June 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or for which the monetary contribution have been registered for account entry by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The RMB converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**Circular 16**") was published on 9 June 2016 and became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may convert their foreign debts from foreign currency to RMB on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities unless such granting is expressly permitted in the business scope.

Regulations on Product Quality and Consumer Protection

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》, the "**Product Quality Law**") promulgated by the SCNPC on 22 February 1993 with effect from 1 September 1993 and subsequently amended on 8 July 2000, 27 August 2009 and 29 December 2018, the manufacturers shall be held responsible for the quality of their products and the sellers shall take measures to maintain the quality of the products they sell. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business licence, and (ii) criminal liabilities if the illegal activity constitutes crime.

In accordance with the Law of the PRC on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》, the "**Consumers Protection Law**") promulgated by the SCNPC on 31 October 1993 with effect from 1 January 1994 and subsequently amended on 27 August 2009 and 25 October 2013, business operators providing commodities or services for consumers shall follow the principles of voluntariness, equality, fairness, honesty and good faith, and safeguard the consumers' lawful rights and interests. Business operators are required to ensure that the products supplied meet the requirements for safeguarding personal or property safety, and failing to do so maybe subject to various penalties, including but not limited to warnings, confiscation of illegal earnings, imposition of fines, suspension of business for rectification, revocation of business licences, and/or even criminal liabilities.

According to the Law of the PRC on Tortious Liability (《中華人民共和國侵權責任法》) promulgated by the SCNPC on 26 December 2009 with effect from 1 July 2010 and the Consumers Protection Law, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies seeking by the consumers. If the product defect is caused by the manufacturer, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

Regulations on Intellectual Properties

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the SCNPC on 12 March 1984 and came into effect on 1 April 1985 and was subsequently amended on 4 September 1992, 25 August 2000 and 27 December 2008, and its implementation rules which was adopted by the State Council on 21 December 1992 and amended on 15 June 2001, 28 December 2002 and 9 January 2010, patent protection is divided into three categories: (i) invention patent, (ii) utility model patent, and (iii) design patent. Inventions and utility models must meet three conditions: novelty, inventiveness and practical applicability, and designs must be obviously different from current designs

or combinations thereof. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs which have major marking effect on the patterns or colours of graphic print products or a combination of both patterns and colours. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper licence from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on 23 August 1982 and revised on 22 February 1993, 27 October 2001, 30 August 2013 and with effect from 1 May 2014, and the Regulation on the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated on 3 August 2002 and amended on 29 April 2014 and became effective on 1 May 2014. Trademarks are registered with the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Regulations on Employment

According to the Law of the PRC on Labour (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, the Law of the PRC on Labour Contract (《中華人民共和國勞動合同法》) amended on 28 December 2012 and the Implementing Regulations of the Labour Contract Law of the PRC (《勞動合同法實施條例》) which was promulgated by the State Council and became effective on 18 September 2008, labour relationship establishes between the employers and the employees from the date of employment. The employers shall enter into written labour contracts with full-time employees. The employers shall pay the employees the labour remuneration on time and in full amount in accordance with the labour contracts and relevant laws and regulations. Violations of the Law of the PRC on Labour and the Law of the PRC on Labour Contract may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Law of the PRC on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and became effective on 1 July 2011 and 29 December 2018, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費征繳暫行條例》) and the Interim Measures for Registration and Administration of Social Insurance (《社會保險

登記管理暫行辦法》), employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for their employees. If employers fail to pay the social insurance premiums, other than for legitimate reasons such as force majeure, the competent authority shall order the employers to pay the overdue payment or the deficit and the overdue fine within a specific term. In the event of failure to make the aforesaid payment within such specific term, an additional fine may be imposed.

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

Regulations on Safe Production

According to the PRC Production Safety Law (《中華人民共和國安全生產法》) which became effective on 1 November 2002 and subsequently amended on 27 August 2009 and 31 August 2014, producing and business operating entities shall maintain safe production conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. Producing and business operating entities are required to offer education and training programmes to their employees regarding production safety. In addition, producing and business operating entities are required to provide their employees with labour protection equipment that meet the national or industrial standards and to supervise and educate them to wear or use such equipment according to the prescribed rules.

Regulations on Environmental Protection

According to the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989 with effect from the same date, and subsequently amended on 24 April 2014 with effect from 1 January 2015, the Environmental Protection Administrative Department of the State Council is empowered to formulate the environmental quality standards and pollutant discharge standards of the PRC at national level. The provincial, autonomous and municipal people's governments, subject to report for record to the Environmental Protection Administrative Department of the State Council, may formulate local environmental quality standards and pollutant discharge standards for the subjects not yet regulated under the respective national standards and may formulate stricter standards for the subjects regulated under existing national standards. Enterprises shall comply with both national and local standards.

According to the Law of the PRC on Evaluation of Environmental Effects (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and implemented on 1 September 2003, and further amended on 2 July 2016 and 29 December 2018, Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 with effect on the same date, and amended on 16 July 2017 and became effective on 1 October 2017, and the Administrative Measures on the Environmental Protection of Acceptance upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001, implemented on 1 February 2002 by the State Environmental Protection Administration (the predecessor of the Ministry of Environmental Protection) and subsequently amended on 22 December 2010, construction units shall conduct environment impact assessment of construction projects prior to the construction. Based on the extent of impact to the environment, the construction units shall submit to the relevant administrative departments of environmental protection a report or a report form on the environment impact assessment issued by institutions with corresponding qualifications, or file a registration form for the environmental impact as stipulated, and obtain approvals from such administrative departments. Environmental protection facilities shall be designed, built and put into operation together with the main body of the construction projects. Upon completion of the construction projects, the construction units shall conduct the environmental acceptance checks before such construction projects can be put into operation.

Any violation of the aforesaid laws and regulations on environmental protection may subject construction units or operators to various penalties, including but not limited to imposition of fines, suspension of operations or shut-down or order to close down, and/or even criminal liabilities.

Regulations on Foreign Trade and Customs

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was adopted by the SCNPC on 12 May 1994, and was amended by the SCNPC on 6 April 2004 and 7 November 2016, and the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the MOFCOM on 25 June 2004, and subsequently amended on 18 August 2016,which provides that any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the MOFCOM or an authority authorised by the MOFCOM, unless laws, administrative regulations and rules of the MOFCOM provide that it is unnecessary to go through such formalities. Where any foreign trade business operator fails to file for archival registration according to relevant provisions, the customs authority shall not handle the procedures of customs declarations or release of the import or export goods.

The Regulation of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) which became effective on 1 January 2002, together with the Foreign Trade Law of the PRC, standardise the administration of the import and export of goods. The PRC government adopts an automatic import and export licensing system for some freely imported and exported goods and has a catalogue of such goods. From time to time, the PRC government promulgates catalogues of restricted and

prohibited goods. For the goods subject to import or export restrictions, the PRC government maintains separate quota managing and licensing systems. Restricted goods may only be imported or exported with the approval of the relevant foreign trade department. Prohibited goods may not be imported or exported at all.

The Customs Law of the PRC (《中華人民共和國海關法》) was adopted by the SCNPC on 22 January 1987, and was revised by the SCNPC on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017. The Customs Law of the PRC provides that all import goods and export goods shall be subject to customs control, and shall be declared and duties on them shall be paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the customs authority. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export licence and relevant papers to the customs authority for examination. Enterprises engaged in the processing trade shall complete filing formalities with the customs authority pursuant to the provisions of the General Administration of Customs. The finished products of a processing trade shall be re-exported within the stipulated time limit.

Regulations on Taxation

Enterprise Income Tax ("EIT")

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得税法》), which was promulgated by the NPC on 16 March 2007, implemented on 1 January 2008, and subsequently revised on 24 February 2017 and 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on 6 December 2007 by the State Council and became effective on 1 January 2008 (collectively, the "**EIT Law**"), enterprises as taxpayers are classified as either "resident enterprises" or "non-resident enterprises". Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises". Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall be considered as "non-resident enterprises".

A resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a reduced EIT rate

of 10%. According to the EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Arrangement**") on 21 August 2006 and implemented the Arrangement from 1 January 2007. According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax resident holds less than 25% of the equity interests in the PRC company.

Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On 3 February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》, the "**Circular 7**"). Pursuant to Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterised and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax.

Circular 7 provides two exemptions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling equity interests of the same listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC taxable assets, the income from the transfer of such PRC taxable assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the Listing is unlikely to be considered to indirectly transfer equity interest or other assets in any of our PRC subsidiaries held by our Company.

The Announcement on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (《關於非居民企業所得税源泉扣繳有關問題的公告》, the "**Circular 37**") was promulgated by the SAT on 17 October 2017 and implemented on 1 December 2017, which replaced or supplemented certain previous provisions in the Circular 7.

It remains uncertain whether any of our transactions involving PRC taxable assets outside of the PRC will be reclassified by applying Circular 7 and Circular 37. If any of our transactions involving PRC taxable assets outside of the PRC constitutes an indirect transfer of the PRC taxable assets and is subject to the EIT obligation under Circular 7 and Circular 37, the amount of the EIT shall be calculated based on the "income from the

transfer" (the difference between the consideration for transfer and costs of equity interests) and applicable tax rate (a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty).

Dividend Tax

Pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied by the fiscal resident of the other party to the tax agreement directly owns a certain percentage or more (generally 25% or 10%) of the capital of a Chinese resident company which pays dividends to such a fiscal resident, in order to enjoy the preferential tax rates provided under a tax agreement: (i) the tax resident that receives dividends shall be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the PRC resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Announcement of the SAT on Promulgation of the Administrative Measures for Non-resident Enterprises to Enjoy Treatment under Tax Treaties (《國家税務總局關於發佈〈非居民納税人享受税收協定待遇管理辦法〉的公告》), which was promulgated by the SAT on 27 August 2015 with effect from 1 November 2015, if a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit relevant report form and materials to the competent tax authority when making the first tax declaration in the relevant tax year or when the withholding agent makes the first withholding declaration in the relevant tax year.

Value-added Tax ("VAT")

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on 13 December 1993, and amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the MOF on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011 (collectively, the "**VAT Law**"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、國家税務總局關於調整增值税税率的通知), which became effective on 1 May 2018, for taxpayers who have VAT taxable sales activities or imported goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to be 16% and 11% respectively.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Caishui [2011] No. 110) (《關於印發〈營業税改徵增值税試點方案〉的通知》) (財税[2011] 110號), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (Caishui [2016] No. 36) (《關於全面推開營業税改徵增值税試點的通知》) (財税[2016] 36號), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from 1 May 2016.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)) Promulgated by MOF, SAT and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%.

Regulations on transfer pricing

According to the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (《國家税務總局關於發佈〈特別納税調查調整及相互協商程序管理辦法〉的公告》) which was promulgated by the State Administration of Taxation on 17 March 2017 and came into effect on 1 May 2017, the tax authorities shall conduct comparability analysis when implementing a transfer pricing investigation. The tax authorities shall select a reasonable transfer pricing method for the analysis of the connected transactions. Transfer pricing methods include the comparable uncontrolled price method, resale price method, cost-plus method, net profit method, profit split method and other methods in line with the arm's length principle.

Under the comparable uncontrolled price method, the fair knockdown price of the connected transaction is the price charged for the business activities the same as or similar to the connected transactions among the non-affiliated parties. The comparable uncontrolled price method can apply to all types of connected transactions.

Under the resale price method, the fair knockdown price of the commodities purchased by affiliates is the resale price of the commodities purchased by the affiliates to the non-affiliated parties minus the gross profit of comparable non-associated transaction. If there is a significant difference between the connected transactions and non-associated transactions, reasonable adjustments shall be made to the effect of such differences on the gross profit margin; if it is not possible to adjust reasonably, and other reasonable transfer pricing methods shall be chosen.

Under the net profit method, the profit of the connected transactions will be determined based on the profit index of comparable non-associated transactions. Profit indicators include earnings before income tax margin, full cost make-up ratio, return on assets, Berry ratio, etc.

The profit split method is generally applicable to connected transactions that the enterprise and its affiliates have made unique contributions to the creation of profits; the business is highly integrated and it is difficult to assess the transaction results of the parties alone. The application of the profit split method shall reflect the basic principle of levying taxes on profits in the places of economic activities and the creation of value. With respect to the comparability analysis of the profit split method, it is required to specially study the functions exercised by the parties to the transaction, risks assumed and assets used thereby, the distribution of income, cost, expenses and assets among the parties, cost saving, market premium and other special geographical factors, as well as other factors of value contribution, to determine the reliability of the information and assumptions used by the parties to the contribution of the residual profits and others.

Other methods in conformity with the arm's length principle include cost method, market method, income method and other asset evaluation methods, as well as other methods that can reflect the matching principle of the places where the profit and economic activities occur and where the value is created.

REGULATORY REQUIREMENTS IN DENMARK

Product liability and product safety

Product liability

In Denmark, product liability is liability for a manufacturer, and if applicable an intermediary, for damage caused by a defective product in Denmark. Under Danish law, product liability is governed partly by the Danish Product Liability Act, which implements an EU directive, and partly governed, where the Danish Product Liability Act does not apply, by general principles of Danish law of damages. According to the Danish Product Liability Act a manufacturer is subject to a strict liability for damage caused by a defective product manufactured by him. The injured party is responsible for proving the damage and the defect. The Danish Product Liability Act provides certain defenses for the manufacturer.

Further, an intermediary is subject to liability for damage caused by a defective product which has been supplied by the intermediary, however provided that the intermediary has acted negligently. An intermediary is directly liable to the injured party and subsequent intermediaries if the injury caused by a defective product is based on negligence of the manufacturer or previous intermediaries.

The Danish Product Liability Act covers personal injury and damage to assets of consumers.

Product safety

In Denmark, product safety is governed by the Danish Product Safety Act which implements an EU directive. The act covers consumer products which are made available on the EU internal market. Consumer products, which are brought into circulation, are comprised by the Danish Product Safety Act, unless a product in each particular case is comprised by other regulation.

According to the Danish Product Safety Act, products may only be brought into circulation if they are safe. A safe product is a product where there is no or only limited and acceptable risk of safety and health-related danger of consumers when the product is applied under normal circumstances and within the product's estimated lifetime. A product is considered safe when it is produced in accordance with safety and health-related requirements set out in legislation.

Further, the law provides provisions regarding the obligations of manufacturers and distributors and regarding the supervisory authorities' possibility to control consumer products.

Intellectual property rights

Trademark rights in Denmark (i.e. Danish trademarks) are governed by the Danish Act on Trademarks. A trademark may consist of words, such as company name, or be figurative, such as a logo, or a combination of both. In some instances the shape of a product may be trade marked as well. The purpose of the trademark is to identify goods and services and distinguish these from the products and services of others, namely competitors. A trademark right can be obtained in Denmark by registration with the Danish Patent and Trademark Office or by using the trademark commercially i.e. using it in marketing or as a label on products.

Design rights in Denmark (i.e. Danish designs) are governed by the Danish Act on Design. A design may comprise a product or part of a product's appearance, which is determined by particular features of the product itself or its decoration, especially with regard to lines, contours, colours, shape, structure or material. The design right therefore solely protects the visual perception of the product is to identify goods and services and distinguish these from the products and services of others, namely competitors. A design right can be obtained in Denmark by registration with the Danish Patent and Trademark Office.

Trademark and design rights bestow upon the holder of the rights the exclusive right to use the trademark and design on the Danish market. The remedies for infringements of trademark and/or design rights may be legal injunctions, compensation and damages.

Employment law

Danish employment law is generally governed by statutory legislation. The key legislations is set out below.

The Employment Contract Act sets out the employer's obligation to inform employees of the conditions applicable to the employment relationship. The Salaried Employees Act guarantees certain minimum protection for salaried employees in relation to notice periods, compensation for unfair dismissal and severance pay. The Holiday Act governs employees' entitlements in relation to holiday and holiday payments. The Equal Treatment Act prohibits gender-based discrimination on the labour market. The Discrimination Act prohibits discrimination regarding race, colour of the skin, religion or faith, political view, sexual orientation, age, disability, and social or ethnic origin. The majority of these statutes are mandatory and cannot be derogated from to the detriment of the employee.

In Denmark, salary and employment term are either agreed upon directly between the employer and the employee or are defined in collective bargaining agreements. Thus, in Denmark a minimum wage is not defined by law. An employer is subject to a collective bargaining agreement either by membership at an employers' association or if the employer has concluded an adoption agreement directly with a trade union. A collective bargaining agreement applies for all employees in the company (regardless of whether the employees are in fact union members) covered by the scope of the agreement. However, salaried employees in a managerial position are generally not covered by a collective bargaining agreement.

Competition law

Danish competition law is based on EU competition law, and to a large extent the Danish rules are similar to the EU rules.

Danish competition law focuses on two main prohibitions: the prohibition against anticompetitive agreements and the prohibition against abuse of dominant position.

Section 6 of in the Danish Competition Act contains the general prohibition against anticompetitive agreements and is comparable to article 101 of The Treaty of the Functioning of the European Union (the "**TFEU**"). The EU block exemptions have been implemented in Denmark, and agreements subject to the Danish Competition Act may thus benefit from the block exemptions. Examples of agreements falling under the prohibition in section 6 are agreements made to fix purchase or selling prices or other trading conditions; agreements to limit or control production, sales, technical development or investments; agreements to share markets or sources of supply or agreements on binding resale prices.

Section 11 of the Danish Competition Act contains the prohibition against abuse of dominant position and is comparable to article 102 of the TFEU. Abuses may as examples consist of directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions; limiting production, sales or technical development to the prejudice of consumers or making the conclusion of contracts subject to acceptance by the other contracting party of supplementary obligations. In recent years, there has been very little enforcement concerning section 11 in Denmark.

Transfer pricing

Danish legislation adheres to the arm's length principle, which states that controlled transactions must be comparable to transactions between independent parties in terms of prices and conditions. This is in line with the arm's length principle as defined by the OECD.

In Denmark, the arm's length principle applies to all controlled transactions, whether domestic or international. Controlled transactions are defined as all economic or commercial transactions between two or more (natural or legal) persons where one party exercises a measure of control over the other, or where the entities are subject to common control, or where the parties are affiliated. Control is defined as more than 50% ownership of share capital or more than 50% of voting power of an entity, and may be direct or indirect. Transactions with permanent establishments are also considered subject to the rules, whether domestic or foreign.

According to the Danish Tax Control Act, a group must prepare transfer pricing documentation if it employs 250 or more employees. Certain exemptions apply to groups with less than 250 employees. As our Group has more than 250 employees globally, our Danish subsidiaries are required to prepare transfer pricing documentation according to the Danish transfer pricing documentation requirements. The overall purpose of transfer pricing documentation is to give the Danish tax authorities an opportunity to assess the prices and conditions used in order to determine whether intra-group transactions are conducted in accordance with the arm's length principle.

According to the new Tax Control Act with effect as of 1 January 2019, the transfer pricing documentation must be finalised by the due date of the tax return filing. This generally means that transfer pricing documentation for a taxpayer with year-end at 31 December must be prepared at the latest by 1 July the following year. The new requirement is effective for the income year 2018 where the tax return filing due date is in 2019.

The tax payer has 60 days to submit the transfer pricing documentation if requested by the Danish tax authorities.

If the transfer pricing documentation is missing or declared inadequate, the Danish tax authorities can make an arbitrary assessment of the group's income. The Danish tax authorities may impose a penalty of DKK250,000 per year, per company where transfer pricing documentation is missing by the submission deadline or is declared inadequate by the Danish tax authorities. If adequate documentation is subsequently submitted, the penalty may be reduced by 50%.

Furthermore, if an upward income adjustment is issued (i.e. on the basis that intra-group prices were not at arm's length), the penalty may be increased with an amount equal to 10% of such adjustment. In addition, a surcharge and interests will be levied on underpaid tax related to any income increase.

REGULATORY REQUIREMENTS IN GERMANY

Product liability and product safety

Product liability

In Germany, either the seller or the producer, or both jointly can be held liable if a product is defective. A distinction is made between product liability, producer liability, and warranty for defects. The rules for liability are to be found in the German civil law (Bürgerliches Gesetzbuch) (the "**BGB**") and in special laws.

If a product does not fulfil the agreed quality or the quality that is to be expected, primarily the warranty pursuant to the BGB aimed against the seller, the BGB comes into effect. Consumers' rights were strengthened by the Consumer Rights Directive of the EU which has been implemented in the BGB. In principle, the seller then will have to either supply the customer with a defect-free product or to repair the defective product. In some circumstances, recourse may be taken against the producer provided recourse from seller to producer is admissible.

In the event a product has caused damage to persons or other items, the producer is strictly liable pursuant to the product liability law (Produkthaftungsgesetz) (the "**ProdHaftG**"). The term "*producer*" according to the ProdHaftG is to be broadly interpreted and may include distributors and importers of the product. In principle, the individual who suffered damage must prove the fault, the damage, and the causal link between fault and damage. There are certain discharges from liability in favour of the producer.

Producers can under some circumstances be held liable pursuant to tort law if the product is defective due to its producer's negligence (producer liability). The obligated party is the one who breaches his legal duty of care towards third parties. First and foremost this is the producer of the product. The distributor can only be held liable for negligence in his own range of duties, such as specific dangers related to transportation and storage.

According to European specifications and their implementation through the law reorganising the safety of technical apparatus and consumer products (Geräte- und Produktsicherheitsgesetz) (GPSG), the producer is obliged to observing the market. This constitutes a producer's duties of investigation and reaction because product safety first and foremost lies in the producer's responsibility.

Product safety

Whether a product is safe, is assessed according to the German Product Safety Code (Produktsicherheitsgesetz) (ProdSG) as well as additional technical standards such as the industry rules of DIN (Deutsches Institut für Normung e.V.) (German Institute for Standardisation). Products are considered to be safe if they do not affect their users' life and physical integrity. Products that might damage the aforementioned legal rights are principally considered to be dangerous. Within the context set by European stipulations, it

must also be considered whether products are consumer products or not when assessing the safety of products; whereas higher standards apply to consumer products. In practice, products often are considered as being unsafe when they violate technical standards or exceed legal limits.

Market surveillance authorities and German customs authorities jointly monitor product safety. In particular, they are entitled to check products, ban products from being distributed, order withdrawal or re-call, seize or destroy products.

Intellectual property rights

Trademark rights in Germany (i.e. German trademarks) are governed by the German Act on the Protection of Trade Marks and other Symbols (the Trade Mark Act).

A trademark may consist of words, such as company name, or be figurative, such as a logo, or a combination of both. In some instances, the shape of a product may be trade marked as well. The purpose of the trademark is to identify goods and services and distinguish these from the products and services of others, namely competitors. A trademark right can be obtained in Germany by registration with the German Patent and Trade Mark Office or by using the trademark commercially i.e. using it in marketing or as a label on products.

Design rights in Germany (i.e. German designs) are governed by the Act on the Legal Protection of Designs.

A design may comprise a product or part of a product's appearance, which is determined by particular features of the product itself or its decoration, especially with regard to lines, contours, colours, shape, structure or material. The design right therefore solely protects the visual perception of the product is to identify goods and services and distinguish these from the products and services of others, namely competitors. A design right can be obtained in Germany by registration with the German Patent and Trade Mark Office.

Trademark and design rights grant the holder of the rights the exclusive right to use the trademark and design on the German market. The remedies for infringements of trademark and/or design rights may be legal injunctions, compensation and damages.

Employment law

German employment law is based on a great variety of legal sources to determine the rights and obligations of employees and employers in their employment relation. The key regulations are as follows:

The main legal source is the individual employment agreement between the employer and the individual employee. There are several compulsory statutory regulations guiding and limiting the content of employment agreements. Very often, standard employment contracts are used in order to follow up the legal requirements.

A minimum salary of hourly EUR9.19 is legally guaranteed. There are compulsory regulations against unfair dismissal, minimum standards of holidays and working time regulations.

Case law and legal precedent are of great importance in German employment law, because there is no comprehensive codified labour law. The German labour courts are often responsible fulfilling gaps in the statutory law and that makes labour disputes often less calculable. Most of the disputes and litigations end up with an agreement including payments from the employer to the employee.

The German employer has to provide for tax regulation and social security payments.

Other sources of regulations are collective bargaining agreements, which apply if both the employer and the employee are member of the respective organisations or in cases, where such agreements are made compulsory by law (such agreements are listed). In case the employees are organised internally by electing a shop council, there are often collective agreements between the employer and the shop council regulating a variety of working conditions, but not wages. Managers in a higher position are generally not covered by collective agreements.

Employment law is often to be observed in cases, where the employment is defined as "*Free Service Contract*" (Freelancers et al). The main rule is: not titles or contractual definition but only the daily reality in working life is essential for the application of labour law.

Transfer pricing

The German regulation requires that a taxpayer should conduct its transactions with foreign related parties based on terms, including prices, that comply with the arm's length principle. This is in line with the arm's length principle as defined by the OECD.

Within the context of "controlled intercompany transactions", the term "control" is generally defined as two or more organisations being owned or controlled (managerially or operationally), directly or indirectly, by the same interests. In general, the threshold for control is considered to be at least 25% interest or dominance. However, there are additional "soft" criteria such as common economic interest that may also create a related-party situation.

The taxpayer has to present transfer pricing documentation within 60 days on request in a tax audit. In case a taxpayer is involved in extraordinary business transactions with a foreign related party, the documentation should be prepared latest within 6 months after the end of the year in which the transaction takes place and present to the tax authority within 30 days on request in a tax audit. There are certain exemption rules for documentation that apply to smaller enterprises and taxpayers generating other income than business income.

The overall purpose of the transfer pricing documentation is to give the German tax authorities an opportunity to assess the prices and conditions used in order to determine whether intra-group transactions are conducted in accordance with the arm's length principle.

As a consequence of inadequate or non-presentation of a transfer pricing documentation tax authorities may assume that the actual income from intercompany transactions is higher than the income declared. In such a case, the tax authorities are authorised to estimate the arm's length result and to adjust transfer prices based on such estimations. Furthermore, a surcharge of 5-10% of the profit adjustment can be applied, with a minimum of EUR5,000.

For late provision of usable documentation, regardless of an adjustment, a surcharge is to be assessed in such cases amounting to at least EUR100 for each full day the time limit has been exceeded and to EUR1,000,000 at the most for each assessment period in all instances of submitting usable documentation.

REGULATORY REQUIREMENTS IN HONG KONG

Transfer pricing

Pursuant to section 20 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"), where a Hong Kong resident person (including but not limited to a corporation and partnership) derives less than the ordinary profits which might be expected to be assessable to tax in Hong Kong from a business conducted with a closely connected non-Hong Kong resident, the business done by the non-resident in pursuance of his connection with the resident shall be deemed to be carried on in Hong Kong, and the non-resident shall be assessable to tax in respect of profits from such business in the name of the resident as if the resident was his agent.

A person will be regarded as closely connected with another person under section 20(1)(a) of the IRO when the Commissioner of the IRD considers that such persons are substantially identical, or that the ultimate controlling interest of each is owned, or deemed to be owned, by the same person or persons. The controlling interest of a company is deemed under section 20(1)(b) of the IRO to be determined by the beneficial owners of its shares, whether the shares are held directly or through nominees. Shares in a company held by a holding company are deemed, by section 20(1)(b) of the IRO, to be held by the shareholders of the holding company.

Assessors of the IRD are empowered under section 61 of the IRO to disregard certain transactions or dispositions and assess the taxpayer accordingly. With regard to a transaction which has, or would have had the effect of conferring a tax benefit on a person, under section 61A of the IRO, an assistant commissioner of the IRD, having regard to the background and effect of the transaction, has the power to assess the liability to tax of the relevant person as if the transaction or any part thereof had not been entered into or carried out or in such other manner as the assistant commissioner considers appropriate to counteract the tax benefit which would otherwise be obtained.

On 13 July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Bill**") was gazetted and has become effective. Section 20 of the IRO was repealed as a result of the Bill becoming effective. The Bill includes significant changes to codify transfer pricing regulations in Hong Kong. It implements various minimum standards arising from the OECD's latest requirements on base erosion and profit shifting and introduces mandatory transfer pricing documentation requirements. According to the Bill, the arm's length principle is the fundamental transfer pricing rule in Hong Kong. Where a transaction between two related persons does not comply with the arm's length principle and has created tax advantage, the IRD is empowered to adjust the profits or losses of that person. The fundamental transfer pricing rule applies retrospectively to year of assessment on or after 1 April 2018.

REGULATORY REQUIREMENTS IN THE UNITED STATES

During the Track Record Period, a significant portion of our products were sold and delivered to the United States. Certain U.S. federal and state product safety laws and regulations and other laws and regulations may be applicable to our products sold to the United States. The laws, rules and regulations with the most significant impact on our operations are described below. However, other U.S. federal, state and local laws may also impose certain obligations on us and affect our products sold within the United States.

Product Liability Laws — General

Product liability regulations are not generally promulgated under U.S. federal law, but rather state law in the United States, most of which are based on common law. Although differences do exist, the vast majority of states have adopted similar laws that share common principles as discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the degree of carefulness by the defendant. A defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-US jurisdiction.

Product Safety Laws

The law of product safety is regulatory law and is governed primarily by the Consumer Product Safety Commission ("**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. Children's toys and infant care products fall under its jurisdiction.

The Consumer Product Safety Improvement Act of 2008 ("**CPSIA**") was passed by Congress in 2008. The CPSIA constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. custom agents, its jurisdiction does not extend beyond the territorial limits of the United States.

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the United States that is subject to a consumer product safety rule issued under the Consumer Product Safety Act ("**CPSA**"), or a similar rule, standard, regulation, or ban issued by the CPSA or under any statute issued by the CPSC. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include the CPSA, Flammable Fabrics Act, Federal Hazardous Substance Act, and Poison Prevention Act.

The CPSIA specifies that certification must be based on a "test of each product or a reasonable testing program." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must also be furnished to the U.S. Customs and Border Protection ("**CBP**"). And, if requested by the CPSC, a copy must be furnished to them. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

No Specific Product Requirements for Backpack and Luggage Products

The CPSC is responsible for enforcing many statutes and regulations which target particular consumer products. They can and have required the recall of consumer backpack and luggage designed for children. The CPSC also requires all manufacturers to inform the CPSC whenever a manufacturer "obtains information which reasonably supports the conclusion that the manufacturer's product which could create a substantial product hazard." 16 C.F.R. § 1115.4. Such recalls may occur either because of a specific, ascertainable product defect or as a prophylactic and corrective measure in response to large numbers of consumer reports of injury resulting from the product.

The CPSC has issued certain product-specific regulations, particularly in the case of toys and "children's products". Research conducted by our International Sanctions and U.S. Legal Advisers has not revealed any specific regulatory requirements that have been mandated by the CPSC for backpack and luggage products.

Environmental laws and regulations

In addition to the regulatory scheme imposed on the federal level discussed above, it is important to note that state regulations can also control the distribution of imported products into the United States The most significant of those, and which are worthy of particular mention, are California environmental statutes and regulations.

California's Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 *et seq.*, commonly known as "**Proposition 65**") requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Various phthalates which can be used in plastics and vinyl (BBP, DEHP, DBP, DnHP, DIDP, and DINP) are among the chemicals so regulated. Exposures requiring a warning include those that may occur from handling a product or its packaging. This statute and the related regulations apply to all consumer products. Under Proposition 65, enforcement for failure to provide an appropriate warning is brought about either by government authorities in California or by private enforcers and may result in fines of up to US$2,500 per day per item sold and the payment of the enforcer's legal costs and fees.

For some chemicals, a "safe harbour" level has been determined whereby a warning is not required under this statute if the use of a specific product or its packaging would not result in exposing the average user to more than that level of the chemical at issue. Because the amount of exposure is dependent upon how a product is used, it is often not easy to determine whether a product which contains one of these chemicals falls below a safe harbour level. In other instances, settlements have been reached whereby the parties agree to a limit of a chemical in certain products. In a wide-reaching settlement of an action involving a variety of phthalate-containing products, dozens of product manufactures agreed, in addition to payment of substantial penalties, to promulgate the so-called "3P standards" ("a maximum concentration, by weight, of DEHP, BBP and DBP, each, of 1000 parts per million (ppm) or less in any poly vinyl chloride, soft plastic, other vinyl or synthetic leather component"). Recent settlements of private enforcement claims have also set 1000 ppm or 0.1% of weight as the level for various phthalates in non-child focused products, below which a warning is not required. Products that may be used by children could be subject to an even lower level.

Overseas manufacturers are not exempt from these Proposition 65 requirements if their products are sold in California.

Import Regulations and Anti-Dumping

Our shipments of products to the United States are subject to custom inspection and compliance. The CBP, which is part of the U.S. Department of Homeland Security, is responsible for enforcing all laws and regulations on the importation of carriers and commodities. An importer of goods and commodities to the United States is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate. As our products that are sold and delivered to the United States are mainly sold on a free-on-board basis, we are not deemed to be the importer of our products, and this burden is borne by our customers rather than our Group.

Import Tariffs

The United States generally imposes tariffs on goods imported from China, subject to the general rates applicable to most countries. Those rates are set forth in the Harmonised Tariff Schedules of the United States (the "**HTSUS**"). Our products appear to fall within Chapter 42 of the HTSUS. The goods must also bear markings of the country of origin which identify where the product is made. Note that embargoes, anti-dumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties.

Section 201 of the Trade Act of 1974, 19 USC. § 2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorisation from the World Trade Organisation to take enforcement actions.

There have been a number of statements made by the U.S. government surrounding the imposition of significant tariffs on products imported to the United States from China, and vice versa. In particular, the U.S. government has imposed new or increased tariffs of up to 25% on certain products to be imported from the PRC, which proposed tariffs took effect on 10 May 2019. As advised by our International Sanctions and U.S. Legal Advisers, certain of our products are on the list of products that will be subject to these increased tariffs. If these products or any other products we manufacture or import to the U.S. become subject to the increased tariffs, it could make our products less price competitive in the U.S. market. This could adversely impact our revenue from U.S. sales. For further details, please refer to the section headed "Risk factors — We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations." in this prospectus.

Anti-dumping Laws

There are a range of trade laws in the United States which address the issue of imports which may injure or threaten U.S. industries. Under anti-dumping laws (Title VII of the Tariff Act of 1930), the U.S. International Trade Commission ("**USITC**"), conducts investigations into whether dumping or subsidisation is occurring in products brought into the U.S. market. A significant proportion of such investigations in recent years have been in relation to imports from China.

Whether an item is being dumped or not is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer's sales price in its home market, or at a price which is lower than the cost of production. Subsidisation occurs when a government provides countervailable

financial assistance to benefit production, manufacture and/or export of a good. There is first an assessment made by the Commerce Department that dumping or subsidisation is occurring, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to U.S. industry. If such a threat is found, the Commerce Department will issue an anti-dumping duty and/or countervailing duty order. When such an order is imposed, CBP is instructed to assess special duties on products subject to the order at the time of their import.

After an order has been issued, there is an automatic "sunset" review, pursuant to the Uruguay Round Agreement Act, approved in late 1994, no later than five years after the order is issued, which is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidisation investigations, there is a special China safeguards investigation which may also be conducted by USITC. Under this safeguard law, the USITC determines whether articles from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the USITC makes an affirmative determination, it proposes a remedy. The USITC sends its report to the President and the U.S. Trade Representative. The President makes the final remedy decision.

Competition and Antitrust Laws

The U.S. antitrust laws were developed in response to unfair business practices and anticompetitive conduct by companies, corporate monopolies and trusts. At the heart of U.S. antitrust laws is the Sherman Antitrust Act ("**Sherman Act**"), which prohibits agreements that unreasonably restrain trade and the unilateral abuse of monopoly power. Conduct such as pricefixing, bid-rigging, limitation of output, allocation of territories or customers and exclusionary conduct to achieve monopoly are prohibited under the Sherman Act. Violation of the Sherman Act and other anti-trust laws and regulations may lead to criminal and/or civil sanctions. In addition, most states have similar statutes which likewise prohibit arrangements in restraint of trade, unfair or deceptive practices and unfair or discriminatory pricing practices. These state statutes are enforced by State Attorneys General and other state regulators, and can also be a basis of action by private litigants.

The U.S. antitrust laws apply to businesses and individuals alike. Certain laws and regulations also have an extraterritorial reach. Pursuant to the Foreign Trade Antitrust Improvement Act of 1982, the Sherman Act would apply to conduct that occurs outside of the United States if such conduct (1) has a direct, substantial and reasonably foreseeable effect on U.S. commerce, including U.S. import or export commerce; and (2) gives rise to a claim under the Sherman Act. Our trade and commerce with our U.S. clients are therefore subject to the U.S. antitrust laws.

Intellectual Property Regulation

US trademark law is governed by both state and federal law. The primary federal statute is the Lanham Act. A trademark includes any word, name, symbol, slogan or device, or any combination of these, used to identify goods or services and to distinguish them from those manufactured, sold or serviced by others. Remedies for trademark infringement can include injunctions, lost profits and damages.

US patent law is governed exclusively by federal law, namely the Patent Act, which secures for inventors an exclusive right to their discoveries. Types of patents recognised under U.S. law include utility patents, design patents and plant patents. A patent is used to provide protection for the developer or creator of an innovation or new product, and works to grant such developer or creator the exclusive right to make, use and sell the patented innovation or product for a limited period of time.

US Tax Laws

If a foreign corporation is engaged in a trade or business within the United States, it is subject to U.S. corporate income tax (currently 35% maximum rate) on its income that is effectively connected with its U.S. business. A branch profits tax (currently 30%) applies to such a corporation's "dividend equivalent amount." If the foreign corporation is eligible to claim benefits under a double tax treaty with the United States, the foreign corporation will be subject to U.S. corporate income tax only with respect to profits attributable to a permanent establishment in the United States. The branch profits tax rate may be reduced under the treaty.

Failure to pay U.S. income taxes results in interest charges and potential penalties in addition to payment of the tax. A foreign corporation engaged in a U.S. trade or business is required annually to file a U.S. corporate income tax return. Failure to file a timely return could result in the denial of deductions. An annual return is also required to be filed by a foreign corporation that claims that it does not have a U.S. permanent establishment.

State and local tax may also be applicable.

As we make direct sales to buyers incorporated in the United States and the goods are imported by the buyers to the United States, our International Sanctions and U.S. Legal Advisers are of the view that (i) the income we earned from sales to buyers would not be considered to be effectively connected with the conduct of a U.S. trade or business and subject to U.S. federal corporate income tax or to the U.S. branch profits tax and (ii) in principle, our Group would not be expected to have a nexus in a state for state or local tax purposes (although this ultimately depends on the laws of each state).

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions and U.S. Legal Advisers, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the EU, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury regulations

The U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("**green card**" holder), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions programme and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorisation or licence from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC's limited programmes apply to Belarus, Burundi, Central African Republic, Democratic Republic of the Congo, Iraq, Lebanon, Liberia, Libya, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen and Zimbabwe. OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the United Nations Security Council has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are 10 monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

EU

Under the EU sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

Applicability to our sales in Russia and Ukraine

The United States, the European Union, the United Nations, acting through the Security Council, Australia and a number of other countries and governmental organizations impose a variety of sanctions measures that limit parties' ability to transact with certain persons, entities or organizations in Russia. Other sanctions imposed by these regulators target specific sectors of the Russian economy, such as the financial, energy, and defense sectors. These sanctions have been implemented for a number of reasons articulated by the sanctions regulators, including in response to Russia's 2014 invasion of Ukraine, interference in the United States and other countries recent elections, malicious cyber-enabled activities, human rights abuses, use of a chemical weapon, weapons proliferation, illicit trade with North Korea, and support to Syria. Ukraine is also subject to targeted sanctions, although less extensive than those applicable to Russia. The area known as Crimea, which is located in area between Russia and Crimea, is subject to very extensive sanctions implemented when it was deemed to be annexed by Russia in 2014. Comprehensive sanctions against Crimea were imposed by the United States, Canada, the European Union and other European countries (including Ukraine) that, among other things, prohibit the sale, supply, transfer, or export of goods and technology in several sectors, including services directly related to tourism and infrastructure. They also place various transportation restrictions on Crimea, including listing various ports where ships cannot dock.

OUR GROUP STRUCTURE AND HISTORY

Overview

The history of our Group can be traced back to 1989 when our founders, Mr. Wong and Mr. Lee incorporated GPM, our first principal operating subsidiary in Hong Kong to engage in the business of trading of bags in view of the potential business opportunities from the PRC market and rising customer demand for bags.

Mr. Cheng and Mr. Fung subsequently each acquired 15% shareholding in GPM. In October 1996, Mr. Berg entered into a cooperation agreement with GPM to manage our Group's business in Europe, and subsequently joined our Group and was appointed as managing director of the Europe office of GPM in 1997, and was further appointed as director of GPM in 2002. In 1997, Mr. Lee disposed all his interest in our Group and no longer held any shareholding or position in our Group. In 2005, Mr. Berg became interested in our Group by subscribing 25% interest in GPL HK and was appointed as chief executive officer of our Group. In 2007, he further acquired interest in our Group by indirectly acquiring 25% interest in GHL HK from GHL BVI. In 2015, as a result of our restructuring and Mr. Wong's exit, Mr. Berg, through his wholly-owned company, Berg Group, gained controlling interest in our Group by becoming 67% interested in GPG, while Elect Lead (then wholly-owned by Mr. Cheng) and Easy Achiever (then wholly-owned by Mr. Fung) became interested in GPG as to 23% and 10%, respectively. Thereafter, Mr. Wong no longer held any interest in our Group. In 2017, Mr. Berg acquired Elect Lead and Easy Achiever from Mr. Cheng and Mr. Fung, respectively. Thereafter Mr. Cheng and Mr. Fung no longer held any shareholding in our Group but retained their directorship positions in our Group.

Mr. Henriksen joined our Group in 2005 as a board member of BBM APS. In 2005, Mr. Henriksen, through his wholly-owned company, RHS, became 40% interested in BBM APS, and RHS subsequently transferred such interest to GPL APS in 2010. In 2010, Mr. Henriksen became interested in GPL HK by acquiring 20% interest in GPL HK from GPM, and became interested in GPL APS by indirectly subscribing 20% interest in GPL APS. In 2017, Mr. Henriksen transferred his 20% interest in GPL HK to RHS as part of the Reorganisation. As managing director of GPL APS, Mr. Henriksen oversees our Group's license and distribution and OBM business. He manages our Group's relationship with existing licensors and constantly seeks new licensing rights and new customers.

Our Company was incorporated in the Cayman Islands on 8 February 2018. Upon completion of the Reorganisation, our Company became the holding company of our Group on 12 October 2018. Accumulating nearly three decades of experience since the incorporation of GPM, our Group has grown to become one of the established backpack and luggage manufacturers and exporters principally engaged in design, development, manufacture and sales of a diverse product portfolio.

Major milestones

The following are the major milestones of our Group:

1989	GPM, our first principal operating subsidiary was incorporated in Hong Kong.
2004	GP1 was established for the purpose of establishing our first production facility in Pinghu, Shenzhen, Guangdong Province, the PRC to develop our OEM business.
2004	We established our business relationship with Licensor B, a plastic interlocking bricks manufacturer, by entering into a licensing agreement for design, production and distribution of school bag and other related accessories products.
2004	GP2 was incorporated for the purpose of establishing our Jiangxi Factory, a new production facility in Ganzhou, Jiangxi Province, the PRC.
2005	GPE was incorporated in Denmark to engage in sales liaison for the European market and to develop our ODM business.
2010	We established our business relationship with Licensor A, a leading manufacturer of construction and mining equipment, by entering into a licensing agreement for design, production and distribution of bag, luggage and other related accessories products.
2012	We began to develop our OBM business by launching our proprietary *Ellehammer* brand.
2016	We relocated our production facility in Shenzhen from Pinghu to our current factory premises of our Shenzhen Factory, which also serves as our global development and supply chain centre.
2017	We entered into a new licensing agreement with Licensor B pursuant to which the licensed product categories were extended to luggage products and the authorised geographical coverage was extended to include the PRC. We established our business relationship with Licensor C, a worldwide chain of music theme restaurants, by entering into a licensing agreement for producing bags, duffel bags, suitcases, luggage, backpacks, wallets, pencil cases and lunch boxes

Our subsidiaries

The following table summarises our subsidiaries and their principal business activities as at the Latest Practicable Date:

Name of company	Place of incorporation	Date of incorporation	Principal business activities
GHL BVI	BVI	9 June 2005	Investment holding
GHL HK	Hong Kong	16 December 2005	Investment holding
GPM	Hong Kong	11 July 1989	Manufacturing and trading of bags and luggage
Ricktake Development	Hong Kong	6 June 1996	Inactive
GPM HK	Hong Kong	30 July 2004	Investment holding
GP1	PRC	20 September 2004	Manufacturing of bags and luggage
GPC	PRC	28 February 2011	Trading and provision of product development and supply chain services for bags and luggage
GP2	PRC	25 August 2004	Manufacturing of bags and luggage
GPE	Denmark	16 December 2005	Trading of bags and luggage
Tignum	Denmark	22 September 2004	Lessee of our Denmark office premises
GPL HK	Hong Kong	12 November 2004	License and brand business
GPL APS	Denmark	1 January 2006	License and brand business
BBM APS	Denmark	12 December 2003	Distribution of license and brand products
BBM GMBH	Germany	20 June 2001	Distribution of license and brand products
GPL SZ	PRC	16 October 2018	License and brand business

MATERIAL SHAREHOLDING CHANGES OF OUR GROUP PRIOR TO AND DURING THE TRACK RECORD PERIOD

(i) Mr. Wong's exit

Prior to the commencement of the Track Record Period, Mr. Wong had divergences with our Directors on our Group's management and future development. To the best knowledge of our Directors, Mr. Wong had always wanted to manage our Group as a family business whereby his family members should be substantially involved in our Group's business operations. While our Directors respected Mr. Wong's wish to operate the business of our Group as a family business and understood that running a family business may to a certain extent build up a stronger bonding among the key employees of our Group, our Directors believed that it would be more difficult to enhance corporate governance and internal control of our Group when family members would be substantially involved and employees would be hired based on his/her relationship with the shareholders of our Group over his/her qualifications and relevant working experience. Our Directors also believed that a business with strong corporate governance and internal control would be essential in developing long-term business relationships with its licensors, in particular internationally renowned brand licensors, attracting and retaining employees and improving the reputation of our Group. A family business image, in our Directors' opinion, would not be consistent with our Group's business strategy and future development.

In addition, our Directors had differences in opinions with Mr. Wong on maximising our Group's return to shareholders through speculating activities such as speculating on properties in Hong Kong. While speculating on properties may bring considerable return to the shareholders given the boom in property prices in Hong Kong for the past decade, our Directors believed that such speculating activities may tie up our Group's operating cash flow. Should the property market worsen, our Group's business operation and financial position would be materially and adversely affected.

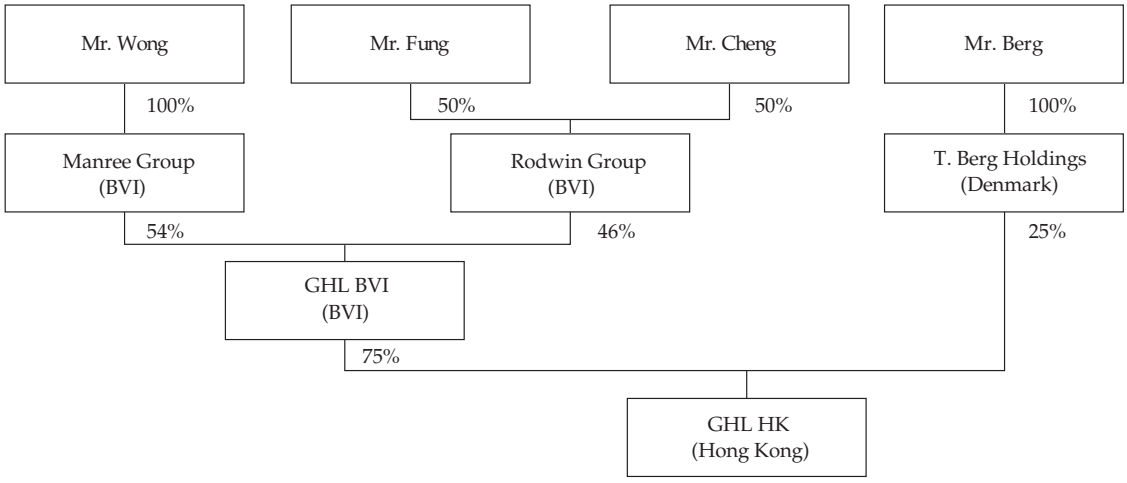
Given that continuing differences of opinions among the management of our Group would not be healthy for our development and Mr. Wong had the intention of developing his own bag and luggage distribution business, Mr. Wong, Mr. Berg, Mr. Cheng and Mr. Fung started to discuss among themselves regarding Mr. Wong's exit prior to the commencement of the Track Record Period.

Our Group's then shareholders had decided to restructure our shareholding in order to effect the exit of Mr. Wong through transfer of his interests in our Group to the then existing shareholders. A sale and purchase deed dated 27 March 2015 was therefore entered into among the shareholders' respective investment holding companies (the "**Exit Agreement**") to effect the above discussion and understanding.

At that material time, GHL HK was owned by GHL BVI and T. Berg Holdings (a company wholly-owned by Mr. Berg) as to 75% and 25%, respectively while GHL BVI was owned by Manree Group (a company then wholly-owned by Mr. Wong) and Rodwin Group (a company owned by Mr. Cheng and Mr. Fung in equal shares) as to 54% and 46%. As a result of our restructuring and following the completion of the Exit Agreement on 16

April 2015, (i) Mr. Wong no longer held any interest in our Group; (ii) GHL BVI became wholly-owned by GPG, an investment holding company incorporated in Hong Kong for the purpose of facilitating our restructuring and Mr. Wong's exit; and (iii) GPG became owned by Berg Group (a company wholly-owned by Mr. Berg), Elect Lead (a company then wholly-owned by Mr. Cheng) and Easy Achiever (a company then wholly-owned by Mr. Fung) as to 67%, 23% and 10%, respectively.

The following chart sets forth the simplified shareholding structure of our Group immediately prior to Mr. Wong's exit in 2015:



On 16 April 2015 as part of our restructuring and pursuant to the Exit Agreement, GPG acquired 46 shares of GHL BVI (representing 46% of the entire issued share capital of GHL BVI) from Rodwin Group and in consideration of such share transfer, 669, 230 and 100 shares of GPG was allotted and issued to Berg Group, Elect Lead (a company then wholly-owned by Mr. Cheng) and Easy Achiever (a company then wholly-owned by Mr. Fung), respectively. As a result of such share transfers, GPG became owned by Berg Group, Elect Lead and Easy Achiever as to 67%, 23% and 10%, respectively. On 16 April 2015, as part of our restructuring and pursuant to the Exit Agreement, GPG acquired 54 shares of GHL BVI (representing 54% of the entire issued share capital of GHL BVI) from Manree Group (a company then wholly-owned by Mr. Wong) at a consideration of HK$84.0 million determined based on discussion and negotiation with reference to the net asset value of GHL BVI as at 31 October 2014. HK$15.0 million of the consideration was settled by cash on 16 April 2015. Approximately HK$0.7 million of the consideration was settled by GPG assuming from Manree Group the obligation to repay a car purchase loan to GPM on 16 April 2015. HK$0.4 million of the consideration was settled by GPG assuming from Manree Group the obligation to repay a car deposit loan to GPM on 16 April 2015. HK$9.0 million of the consideration was settled by GPG issuing a promissory note in the same amount to Manree Group on 16 April 2015, such promissory note being settled on 25 January 2017. The remaining consideration of approximately HK$58.9 million was settled by GPG issuing a deferred consideration loan note to Manree Group in the same amount on 16 April 2015, such loan note being settled by 30 monthly installments in cash, with 13 October 2017 being the last installment settlement date.

As advised by our Cayman and BVI Legal Advisers from the BVI legal perspective and our Legal Counsel from the Hong Kong legal perspective, failure to pay any of the amount referred to in the promissory note and the deferred consideration loan note as set out above in accordance with their terms might have given rise to an equitable lien in favour of Manree Group as vendor which would give Manree Group the right to recall the 54 shares of GHL BVI upon such lien becoming exercisable. The lien would not affect the control or ownership of GPG as purchaser to the 54 shares of GHL BVI until the right to such lien is exercisable upon GPG defaulting in payment of the promissory note and the deferred consideration loan note. As GPG was never in default of payment of the promissory note and the deferred consideration loan note in accordance with their respective terms and that the promissory note and the deferred consideration loan note were fully settled on 25 January 2017 and 13 October 2017, respectively, the lien had never become exercisable by Manree Group against GPG. Based on the above, completion of the transfer of 54% of the entire issued share capital of GHL BVI took place on 16 April 2015. The purpose of the acquisition was to effect transfer of GHL BVI to facilitate our restructuring and Mr. Wong's exit and as a result of which, Mr. Berg gained controlling interests in our Group upon completion of the transfer on 16 April 2015. After the aforesaid transfers, Mr. Wong no longer held any interests in our Group.

(ii) Dissolution of Man Wah Articles

Man Wah Articles was incorporated in Hong Kong with limited liability on 25 February 2008. Man Wah Articles was dissolved by deregistration on 22 July 2016 as it had not had any business operation since its incorporation. Immediately prior to its dissolution, Man Wah Articles was wholly-owned by GHL HK.

(iii) Dissolution of GPP

GPP was incorporated in Hong Kong with limited liability on 22 October 1996. GPP was dissolved by deregistration on 6 January 2017 as it had not had any business operation since its incorporation. Immediately prior to its dissolution, GPP was wholly-owned by GHL HK.

(iv) Disposal of 16.67% equity interest in Supplier A by GPC

Supplier A was established in the PRC with limited liability on 17 June 2011 and was owned by an independent natural person ("**Mr. Tang**") and an independent limited liability company established in the PRC ("**Fujian Youshang**") as to 70% and 30%, respectively at the time of establishment with a registered capital of RMB5.0 million. In June 2012, GPC subscribed 16.67% equity interest in Supplier A at a consideration of RMB1.0 million and the registered capital of Supplier A was increased to RMB6.0 million. Supplier A then became owned by Mr. Tang, Fujian Youshang and GPC as to 58.33%, 25.0% and 16.67%, respectively as of June 2012. On 15 March 2017, Mr. Tang acquired 16.67% equity interest in Supplier A from GPC at a consideration of RMB1.0 million determined based on discussion and negotiation with reference to the paid-up registered capital of Supplier A. RMB450,000 of the consideration was settled by cash on 28 March 2017. RMB100,000 of the consideration was settled by cash on 20 September 2017. The remaining consideration of RMB450,000 was settled by cash on 29 December 2017. After the aforesaid share transfer, our Group no longer had any interest in Supplier A and Supplier A became owned by Mr. Tang and Fujian Youshang as to 75% and 25%, respectively.

Apart from holding 75% equity interest in Supplier A, Mr. Tang is also the legal representative, executive director and general manager of Supplier A. Mr. Tang also holds equity interests and directorship and senior management positions in certain companies established in the PRC the principal activities of which include manufacturing of toys and commodities as well as import and export of goods. These companies have registered capital in the range of RMB5.0 million to RMB10.0 million.

Fujian Youshang is a limited liability company established in the PRC on 13 October 2005 with registered capital of RMB5.0 million. Fujian Youshang is owned by two independent natural persons as to 70% and 30%, who also acts as its supervisor and executive director, respectively. Fujian Youshang principally engages in trading of apparel and footwear.

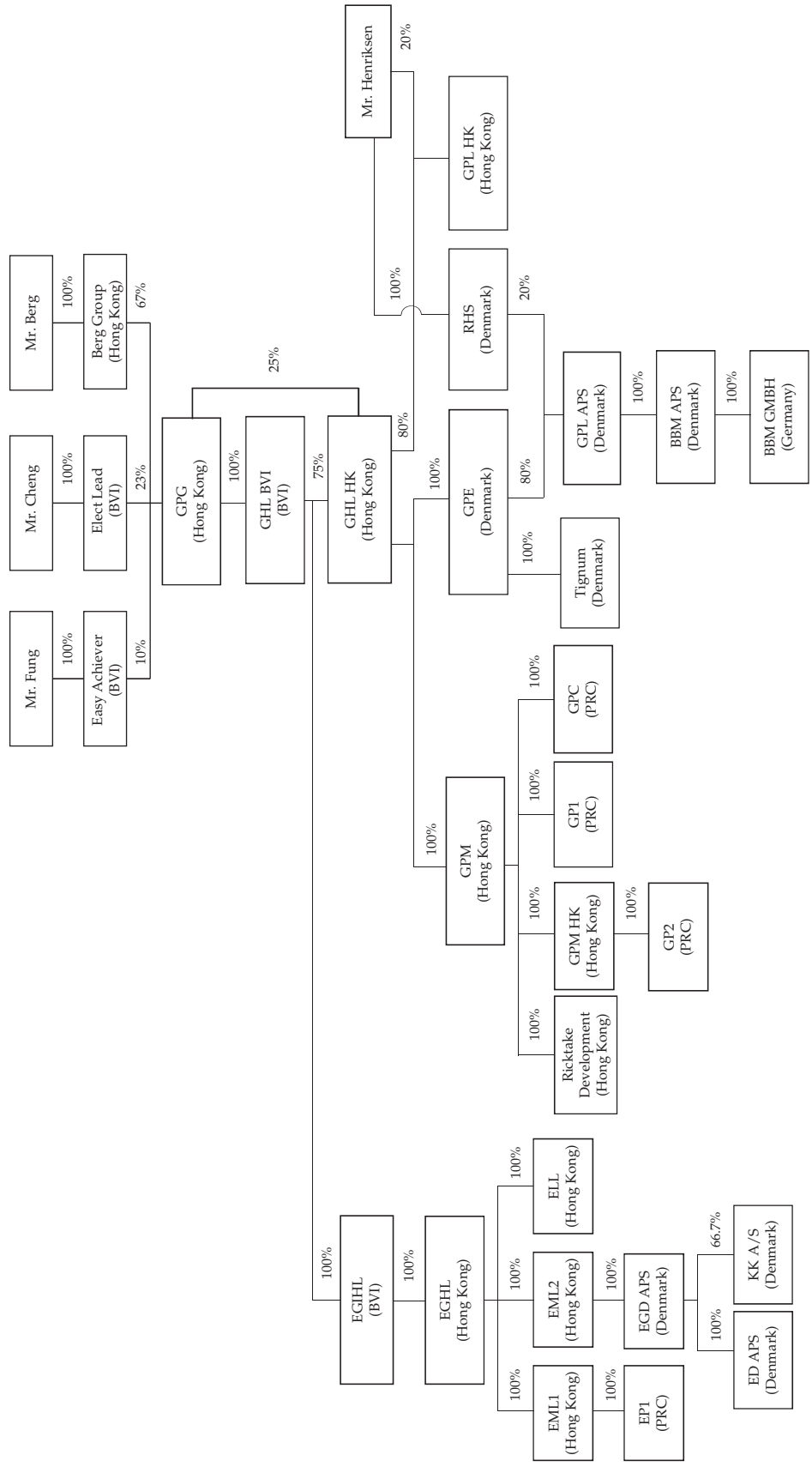
Supplier A, being one of our top suppliers during the Track Record Period, is a luggage, sporting goods, stationery and travel goods manufacturer located in the PRC. We initially acquired 16.67% equity interest in Supplier A for the purpose of investing in our supplier's business in a hope to create synergy in our business by securing our supply of backpack and other types of bags and luggage as we intend to hold certain equity interests in Supplier A in order to ensure that Supplier A gives priority in fulfilling our purchase orders over their other customers. Our business relationship with Supplier A has been established since 2012 before our investment. Prior to our investment in Supplier A in June 2012, our purchases from Supplier A amounted to approximately HK$4.2 million while the amount had risen to approximately HK$20.0 million and HK$36.3 million for the year ended 31 December 2013 and 2014, respectively and thereafter Supplier A became one of our major suppliers during the Track Record Period. As we did not intend to make investment return from the acquisition of equity interests in Supplier A itself, our Directors believe that the consideration of RMB1.0 million for both acquiring and disposing our interests in Supplier A and determined based on discussion and negotiation with reference to the registered paid-up capital of Supplier A represented a fair and reasonable amount for investing in Supplier A to secure our source of supply. Based on the management accounts of Supplier A available to us, for the years ended 31 December 2015 and 2016, Supplier A generated revenue of approximately RMB68.0 million and RMB91.5 million, gross profit of approximately RMB7.2 million and RMB8.8 million, and net profit of approximately RMB2.4 million and RMB0.9 million, respectively. Based on such information, it is estimated that our Group's purchases from Supplier A constituted 56.5% and 45.7% of Supplier A's revenue for the years ended 31 December 2015 and 2016, respectively. We subsequently disposed of all interests in Supplier A as we believe such investment could no longer create any synergy in our business due to the fact that the management of Supplier A had decided to further raise their registered paid-up capital and gradually shift their strategic focus and production capacity to cater for purchase orders from the public sector. In view of the possibility that Supplier A may not be able to fulfill our purchase orders after its strategic change to focus on business opportunities in

the public sector and our divestment from Supplier A, our Directors had since our disposal of equity interests in Supplier A been looking for alternative source of supply from other suppliers. Our purchases from Supplier A therefore experienced a significant drop from approximately HK$41.8 million for the year ended 31 December 2016 to approximately HK$27.7 million for the year ended 31 December 2017 of which approximately HK$23.9 million was our purchases from Supplier A after disposal of our equity interests in March 2017. Our purchases from Supplier A further decreased to approximately HK$24.9 million for the year ended 31 December 2018. Our Directors believe that our purchases from Supplier A will continue to decline due to such change in strategic focus. For details of our purchases with Supplier A, please refer to the section headed "Business — Our suppliers — Top suppliers" in this prospectus.

To the best knowledge and belief of our Directors after making all reasonable enquiries, (i) save and except for our past equity interest held in Supplier A as set out above and our purchases made with Supplier A in our ordinary course of business, Supplier A, Mr. Tang, Fujian Youshang and its directors and ultimate shareholders do not have any past and present relationship with our Company, founders, subsidiaries, directors, shareholders, senior management or any of their respective associates; and (ii) our Directors are not aware that Supplier A was non-compliant with any applicable laws and regulations in its business in all material respects or were the subject of any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period.

REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



(i) Acquisition of the entire issued share capital of Elect Lead by Mr. Berg

On 17 October 2017, Mr. Berg acquired 100 shares of Elect Lead (representing the entire issued share capital of Elect Lead) from Mr. Cheng at a consideration of HK$8,710,000 determined based on a fair valuation of the net asset value of Elect Lead with pre-agreed adjustments. The transfer of the entire issued share capital of Elect Lead was completed on 17 October 2017. Approximately HK$2.4 million of the consideration was settled on 30 September 2017 by Mr. Berg assuming a loan in the same amount owed by Mr. Cheng to GPG. HK$2.0 million of the consideration was settled by setting off the same amount due from Mr. Cheng to Mr. Berg. HK$1.0 million of the consideration was settled by cash on 4 October 2017. HK$40,000 of the consideration was settled by cash on 2 November 2017. HK$40,000 of the consideration was settled by cash on 19 December 2017. HK$1.0 million of the consideration was settled by cash on 9 January 2018. HK$40,000 of the consideration was settled by cash on 12 January 2018. HK$40,000 of the consideration was settled by cash on 5 February 2018. HK$40,000 of the consideration was settled by cash on 1 March 2018. HK$40,000 of the consideration and the remaining consideration of approximately HK$2.1 million were settled by cash on 26 March 2018. After the aforesaid share transfer, Elect Lead became wholly-owned by Mr. Berg.

(ii) Acquisition of the entire issued share capital of Easy Achiever by Mr. Berg

On 17 October 2017, Mr. Berg acquired 100 shares of Easy Achiever (representing the entire issued share capital of Easy Achiever) from Mr. Fung at a consideration of HK$3,790,000 determined based on a fair valuation of the net asset value of Easy Achiever with pre-agreed adjustments. The transfer of the entire issued share capital of Easy Achiever was completed on 17 October 2017. Approximately HK$2.5 million of the consideration was settled on 30 September 2017 by Mr. Berg assuming a loan in the same amount owed by Mr. Fung to GPG. HK$1.0 million of the consideration was settled by cash on 4 October 2017. The remaining consideration of approximately HK$0.2 million was settled by cash on 26 March 2018. After the aforesaid share transfer, Easy Achiever became wholly-owned by Mr. Berg.

(iii) Disposal of the Elements Group by GHL BVI

On 19 October 2017, Group One acquired one share of EGIHL (representing the entire issued share capital of EGIHL) from GHL BVI at a nominal consideration of US$1. After the aforesaid share transfer, our Group no longer had any interest in Elements Group. EGIHL is the holding company of Elements Group which is principally engaged in manufacturing and sale of kitchen-related products. Elements Group was excluded from our Group as its principal business was not in line with our business. Further details are set forth in the section headed "Relationship with our Controlling Shareholders — The excluded business" in this prospectus.

(iv) Acquisition of 25% of the entire issued share capital of GHL HK by GHL BVI

On 28 October 2017, GHL BVI acquired 1,250,000 shares of GHL HK (representing 25% of the entire issued share capital of GHL HK) from GPG at a consideration of HK$35,160,000 determined based on the net asset value of GHL BVI. The consideration was settled on the same day by way of settlement of the amount due from GPG. After the aforesaid share transfer, GHL HK became wholly-owned by GHL BVI.

(v) Acquisition of 16% of the entire issued share capital of GHL BVI by the Pre-IPO Investor

On 30 October 2017, the Pre-IPO Investor acquired 16 shares of GHL BVI (representing 16% of the entire issued share capital of GHL BVI) from GPG at a consideration of HK$14.4 million determined based on the fair value of GHL BVI. HK$12.0 million of the consideration was settled by cash on 4 October 2017. The remaining consideration of HK$2.4 million was settled by cash on 31 October 2017. After the aforesaid share transfer, GHL BVI became owned by GPG and the Pre-IPO Investor as at 84% and 16%, respectively.

(vi) Acquisition of 20% of the entire issued share capital of GPL HK by RHS

On 29 November 2017, RHS acquired 20 shares of GPL HK (representing 20% of the entire issued share capital of GPL HK) from Mr. Henriksen at a consideration of DKK6,503,226 determined based on the fair value of GPL HK. The consideration was settled on the same day by way of issue of a debt certificate in the same amount from RHS to Mr. Henriksen. After the aforesaid share transfer, GPL HK became owned by GHL HK and RHS as at 80% and 20%, respectively.

(vii) Incorporation of our Company

Our Company was incorporated in the Cayman Islands with limited liability on 8 February 2018 to act as the holding company of our Group. On its date of incorporation, one fully paid subscriber Share was allotted and issued to the initial subscriber, being an independent third party. On the same day, such subscriber Share was transferred to GPG.

(viii) Acquisition of both 20% of the entire issued share capital of GPL HK and 20% of the entire issued share capital of GPL APS by GPG

On 9 October 2018, GPG acquired 20 shares of GPL HK (representing 20% of the entire issued share capital of GPL HK) and 651,562 shares of GPL APS (representing 20% of the entire issued share capital of GPL APS) from RHS. In consideration of the aforesaid acquisitions, 111 shares of GPG were allotted, issued and credited as fully paid to RHS.

After the aforesaid acquisition(s), allotment(s) and issue(s), GPG became owned by Berg Group, Elect Lead, Easy Achiever and RHS as to approximately 60.3%, 20.7%, 9.0% and 10.0%, respectively.

(ix) Acquisition of 20% of the entire issued share capital of GPL HK by GHL HK

On 10 October 2018, GHL HK acquired 20 shares of GPL HK (representing 20% of the entire issued share capital of GPL HK) from GPG at a consideration of HK$13.5 million. The consideration was settled on the same day by way of settlement of the amount due from GPG. After the aforesaid share transfer, GPL HK became wholly-owned by GHL HK.

(x) Acquisition of 20% of the entire issued share capital of GPL APS by GPL HK

On 12 October 2018, GPL HK acquired 2,606,250 shares and 651,562 shares of GPL APS (representing 80% and 20% of the entire issued share capital of GPL APS, respectively) from GPE and GPG, respectively, at a consideration of HK$8.2 million and HK$1,460,000, respectively. The considerations were settled on the same day by way of settlement of the amount due from GPE and GPG, respectively. After the aforesaid share transfer, GPL APS became wholly-owned by GPL HK.

(xi) Acquisition of the entire issued share capital of GHL BVI by our Company

On 12 October 2018, our Company acquired 84 shares and 16 shares of GHL BVI (representing 84% and 16% of the entire issued share capital of GHL BVI, respectively) from GPG and the Pre-IPO Investor, respectively. In consideration of the aforesaid acquisitions, (i) 7,435 Shares, 1,600 Shares and 964 Shares were allotted, issued and credited as fully paid to GPG, the Pre-IPO Investor and Berg Group (at the direction by GPG), respectively; and (ii) 4,845 shares, 2,108 shares, 917 and 1,019 shares of GPG were allotted, issued and credited as fully paid to Berg Group, Elect Lead, Easy Achiever, and RHS, respectively.

After the aforesaid acquisition(s), allotment(s) and issue(s), (i) GHL BVI became wholly-owned by our Company; (ii) our Company became owned by GPG, the Pre-IPO Investor, and Berg Group as to approximately 74.4%, 16% and 9.6%, respectively; and (iii) GPG became owned by Berg Group, Elect Lead, Easy Achiever and RHS as to approximately 55.2%, 23.4%, 10.2% and 11.3%, respectively.

(xii) Establishment of GPL SZ

GPL SZ was established in the PRC with limited liability on 16 October 2018 for our license and brand business in the PRC. Since its date of establishment, GPL SZ has been wholly-owned by GPL HK.

As confirmed by our Directors, there were no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

Based on the above and as advised by our (i) PRC Legal Advisers and (ii) Denmark and Germany Legal Advisers, all necessary approvals in relation to the Reorganisation and the Listing have been obtained.

BUSINESS ARRANGEMENTS WITH GULA

The establishment of GULA

Pursuant to the Exit Agreement, Mr. Wong, one of our founders disposed of all his interests in our Group (the "**Disposal**") and exited our Group on his own accord to develop his own bag and luggage distribution business. For details, please refer to the paragraph headed "Material shareholding changes of our Group prior to and during the Track Record Period — (i) Mr. Wong's exit" in this section.

GULA is a company incorporated in Hong Kong on 10 December 2014 and is a company established by Mr. Wong to develop his bag and luggage distribution business after his exit from our Group. GULA principally engages in bag and luggage distribution in APAC. Having considered our relationship with Mr. Wong and the distribution network he had developed throughout the years as a founder of our Group, we had entered into the following business arrangements with GULA.

Right of first refusal to distribute products in certain countries/regions

Pursuant to the Exit Agreement, for a period of five years after the Disposal, if we become the registered holder of any new trademarks which are registered in the countries/regions stipulated in the Exit Agreement, we shall offer GULA a right of first refusal to distribute on a non-exclusive basis any products we produce under such new trademarks within those stipulated countries/regions.

Agreements ancillary to the Exit Agreement entered into with GULA

Mr. Wong, through GULA, had entered into several agreements ancillary to the Exit Agreement with our Group. These agreements included (i) three cooperation and distribution agreements appointing GULA, so long we maintain a license with some of our licensors, as a distributor for the branded products of those licensors (on a non-exclusive basis in certain countries/regions and on an exclusive basis in certain countries/regions stipulated in the agreements); (ii) a deed of assignment and cooperation agreement pursuant to which we assigned the series of trademarks relating to our proprietary *Ellehammer* brand registered under the name of GPL HK in China, South Korea and Japan and the right to register trademarks relating to our proprietary *Ellehammer* brand in certain countries/regions stipulated in the agreement (China, South Korea, Japan and the other countries/regions stipulated in the agreement shall hereinafter be collectively referred to as the "**AP Regions**"), and GULA shall be entitled to receive 50% of the royalty paid by Customer B to us under our distribution arrangement with Customer B in respect of the branded products sold in those countries/regions stipulated in the agreement; and (iii) a name license agreement pursuant to which we granted GULA a non-exclusive license to use the trademark "GROWN-UP" for GULA's name "Grown Up Licenses (Asia) Limited" for a term of 99 years free of charge in order for GULA to further strengthen our distribution network through adopting a name which we believe already has presence in the backpack and luggage industry. These arrangements were entered into pursuant to part of the terms under the Exit Agreement to facilitate Mr. Wong's exit and the terms were negotiated between our Group and Mr. Wong in good faith having regard to the interests

of our Group as a whole given that continuing differences of opinions among the management of our Group would not be healthy for our Group's development. These arrangements serve as an acknowledgement of Mr. Wong as one of the founders of our Group. They also serve to ensure a continuing business synergy between our business and Mr. Wong's new business. While GULA was only incorporated in December 2014 and did not contribute significantly to our revenue during the Track Record Period, our Directors believe that Mr. Wong's experience in the bag and luggage industry will facilitate our business once the sales of GULA begin to pick up.

Potential competition from Mr. Wong

It was provided in the Exit Agreement that Mr. Wong and his affiliates shall be restricted from, at any time during the longer of, a period of 24 months from the completion of the Exit Agreement or the period which GULA enjoys any rights under the ancillary agreements entered into between GULA and our Group (the "**Restricted Period**") as detailed above, (i) carrying on the business of (a) the manufacture (including the subcontracting of such manufacture) of goods for customers (including online customers); (b) the design of goods for customers (including online customers); and (c) the manufacture (including the subcontracting of such manufacture) of goods, and the sale (including online sales) of those goods to distributors and retailers; and (ii) dealing with any person who is as at the date of completion of the Exit Agreement, or has any time during the period of 24 months immediately preceding such completion date, a customer of our Group; and (iii) solicit any person who is as at the date of completion of the Exit Agreement, or has any time during the period of 24 months immediately preceding such completion date, a customer of our Group. On this basis, the business of GULA does not compete, whether directly or indirectly with our Group's business.

Our Directors consider that potential competition, if any, from Mr. Wong will be minimal and immaterial, given that:

(i) The Restricted Period covers the longer of a period of 24 months from the completion of the Exit Agreement and the period which GULA enjoys the rights under the ancillary agreements. The ancillary agreements can generally only be terminated by mutual agreement or when there is a breach on the part of our Group or GULA. As such, so long as the ancillary agreements are in force, Mr. Wong and GULA will continue to be bound by the non-competition provisions under the Exit Agreement.

(ii) Mr. Wong has no incentive to terminate the ancillary agreements. Mr. Wong exited our Group on his own accord to develop his own bag and luggage distribution business. The ancillary agreements were entered into to create continuing business synergy between our Group and GULA. The ancillary agreements, for the reasons set out below, are beneficial to both our Group and Mr. Wong. If Mr. Wong intended and was confident in setting up a competing business against our Group, he would not have negotiated and entered into the ancillary agreements with us to act as a distributor of, and create continuing business synergy with, our Group.

(iii) Our Group's strengths lie in our global licensing strategy and strong and long standing relationships with internationally renowned brand licensors. Such strong and long standing relationships with brand licensors were built up over the years by Mr. Berg and Mr. Henriksen after they joined our Group in 1997 and 2005, respectively. Mr. Berg and Mr. Henriksen have always been the only contact points between the brand licensors and our Group prior to and after Mr. Wong's exit. Taking into consideration that the non-competition provisions restrict Mr. Wong from dealing with our brand licensors as well as the strong and long standing relationship between the brand licensors and Mr. Berg and Mr. Henriksen, it is highly unlikely that Mr. Wong would be able to initiate or establish business relationship with our brand licensors.

(iv) In particular, we have established over seven and 13 years of relationship with Licensor A and Licensor B, respectively. The licensing agreements with both licensors have been renewed uninterruptedly since the commencement of our cooperation with them in 2010 and 2004, respectively. Our Group's licensing agreement with Licensor A will not expire until December 2021 and the licensing agreement with Licensor B for bags and for luggage will not expire until December 2020 and December 2023, respectively. It is highly unlikely that Mr. Wong will be able to secure licensing agreements with the brand licensors without being able to deal with them while the ancillary agreements are in force and Mr. Wong does not have the contact points and communication channel, which have been established over the years by Mr. Berg and Mr. Henriksen, with the brand licensors. Even if Mr. Wong does establish initial contacts with the brand licensors after the Restricted Period, it should take years for Mr. Wong to build up a business of a scale comparable to our Group to compete with us.

(v) The business of our Group and GULA lies on different levels of the industry value chain. We operate with OEM, ODM and OBM business models with design and manufacturing capability to offer private label products and branded products to customers and also possess an extensive and diverse international sales network for our branded products. We have our own production facilities in the PRC, including the Shenzhen Factory and Jiangxi Factory. We also have our own international design and development team in Europe with strong design capabilities and know-how, which have been built up over the years, to meet customer's requirements. In contrast, under the business arrangements between our Group and Mr. Wong, GULA acts as one of our distributors. As such, the scale of operation and business model between our business and that of Mr. Wong are different.

(vi) To compete against us, Mr. Wong would have to make substantial investments in setting up production facilities up to a scale that can handle sizeable purchase orders from global customers as well as fulfilling their compliance requirements like our Group does. It will take years before GULA can build up a proven track record that is appealing to our Group's customers. Mr. Wong would also need to set up an international design team to offer design

solutions to global customers. In relation to our Group's global licensing business, Mr. Wong would need to establish relationship with other international brand names to compete with our licensors. Such relationship requires years to build up as well as the support of an international sales force, an extensive global distribution network and logistical facilities. Without the efforts of our existing senior management members, in particular, Mr. Berg and Mr. Henriksen, the customer base and sales network built up by our Group over the years and our established business structure with presence in Hong Kong, Denmark and the PRC, it will be extremely remote that Mr. Wong can develop a competing business against us despite his experience in the industry.

(vii) Based on our Directors' understanding, GULA has no manufacturing arm and has not conducted any manufacturing businesses since 2015. It also focuses more on product distribution, but not production. It is therefore unlikely that GULA will establish a competing business against our Group after the Restricted Period.

Commercial rationale and expected benefits of our business arrangements with GULA

Our Directors take the view that our business arrangements with GULA were negotiated in good faith based on commercial considerations and in the interests of the Group for the following reasons:

Continuing differences among our management members would not be healthy for our development

As set out in the paragraph headed "Material shareholding changes of our Group prior to and during the Track Record Period — (i) Mr. Wong's exit" in this section, Mr. Wong had divergences with our Directors on our Group's management and future development and therefore left our Group on his own accord to develop his own bag and luggage distribution business. Continuing differences of opinions among the management of the Group would not be healthy for our development. It was therefore essential for our Directors to negotiate with Mr. Wong on the way forward. Keeping the status quo at that material time was in any event not in the interests of our Group. Eventually, Mr. Wong chose to dispose his shares in our Group to set up his own bag and luggage distribution business. The ancillary agreements were entered into as part of the terms of the Exit Agreement.

A continuing business synergy can be created

Mr. Wong is one of our founders. In light of his intention to set up his own distribution business based on our Directors' understanding, our Directors consider that the ancillary agreements could create a continuing business synergy between our Group and Mr. Wong's new business. Under the business arrangements, GULA acts as one of our distributors. With Mr. Wong's experience in the industry, his efforts in introducing our products to the regions specified under the ancillary agreements would be an add-on to our existing distribution network.

Measures were put in place to manage potential competition from Mr. Wong

As discussed in the paragraph headed "Business arrangements with GULA — Potential competition from Mr. Wong" in this section, our Directors consider that potential competition, if any, from Mr. Wong will be minimal and immaterial. Non-competition provisions were provided under the Exit Agreement to ensure that during the Restricted Period, Mr. Wong is restricted from, in particular, carrying on the business of manufacturing and design of products for customers. Mr. Wong is also restricted from soliciting the customers and employees in an executive or managerial position of our Group. As such, during the Restricted Period, Mr. Wong is restricted from establishing a business that competes, whether directly or indirectly with our business. His new business therefore, as explained above, lies on different levels of the industry value chain with our Group.

It is highly unlikely that Mr. Wong will establish a competing business against us. As explained above, Mr. Wong has no incentive to terminate the ancillary agreements as the agreements facilitate his current distribution business and at the same time are beneficial to us. As such, the Restricted Period will continue to run so long as the ancillary agreements are in force. Assuming that the ancillary agreements have been terminated for whatever reasons and Mr. Wong is no longer bound by the non-competition provisions, it was considered that any potential competition, if any, from Mr. Wong would be minimal and immaterial for the reasons set out above.

The assignment of the Ellehammer trademarks and rights to register the Ellehammer trademarks were beneficial to our Group

The assignment of the *Ellehammer* trademarks and rights to register *Ellehammer* trademarks in the AP Regions were beneficial and in the interests of our Group as a whole. At the material time when the parties were discussing on Mr. Wong's exit, (i) the distribution of *Ellehammer* products mainly focused on the Europe market; (ii) the distribution of *Ellehammer* products in the AP Regions was not developed and we had no intention to actively develop these markets ourselves; (iii) as Mr. Wong is interested in developing the markets in the AP Regions through GULA based on our Directors' understanding, we could rely on Mr. Wong's experience in the industry as a founder of our Group to develop the AP Regions to build up goodwill to the *Ellehammer* brand; (iv) the total amount of sales of *Ellehammer* products in the AP Regions through Customer B were nil, HK$4.7 million and nil for the years ended 31 December 2016, 2017 and 2018, respectively and we did not have any other sales of *Ellehammer* products in the APAC Regions apart from Customer B during the Track Record Period; if Mr. Wong did eventually penetrate these markets, Customer B would be able to boost the sales of *Ellehammer* products in the AP Regions and the amount of royalty paid by Customer B for the distribution of *Ellehammer* products in the AP Regions to us and GULA would increase; and (v) the amount of purchases made by GULA from us for *Ellehammer* products would also increase. As such, sales of our *Ellehammer* products can potentially be driven up under our arrangements with GULA. We can therefore make use of GULA's efforts to penetrate potential markets which we do not intend to develop by ourselves. The assignment of the *Ellehammer* trademarks and the rights to register the *Ellehammer* trademarks in the AP Regions were therefore to our benefit despite GULA focuses on product distribution. Even

if Mr. Wong failed to penetrate these markets in the AP Regions, the assignment of the *Ellehammer* trademarks and the rights to register those trademarks to GULA in the AP Regions would have no material adverse impact on the business operation and our financial position given that we did not intend to actively develop the markets in the AP Regions by ourselves.

The use of the Ellehammer trademarks is controlled and reputation risk on the Ellehammer brand is minimal

Pursuant to the assignment agreement entered into between our Group and GULA, (i) GULA has to ensure that the positioning and branding of the *Ellehammer* trademarks are aligned world-wide with an aim to create value to both our Group and itself; (ii) GULA has to ensure that the use of the *Ellehammer* trademarks in the AP Regions comply with all local legal requirements in force from time to time relating to the marketing, packaging, labelling, storage and sale of the *Ellehammer* products within the AP Regions; (iii) GULA is also required to provide us with all necessary information so that the *Ellehammer* products we supply to it complies with the local labelling, marketing and other applicable legal requirements within the AP Regions; and (iv) GULA is required to take out and maintain adequate product liability insurance policies regarding the sale of *Ellehammer* branded products in the AP Regions. In addition, our Directors believe Mr. Wong has no reason to damage goodwill attached to the *Ellehammer* brand to the detriment of his business and ours. As such, reputation risk of damaged goodwill to our *Ellehammer* brand we are exposed to as a result of poor management and quality control, if any, would be minimal. Our Directors confirm that no irregularity has been noted regarding the use of the *Ellehammer* trademarks by GULA up to the Latest Practicable Date.

The license of our "GROWN-UP" trademark to GULA can strengthen our distribution network

We are a private group of companies at the time of Mr. Wong's exit. We do not sell any products under the "GROWN-UP" brand. The goodwill attached to our "GROWN-UP" trademark only lies in our Group's presence in the OEM and ODM business which GULA was restricted from conducting pursuant to the non-competing provisions under the Exit Agreement. Pursuant to the name license agreement, GULA can only use the "GROWN-UP" trademark as a company name in relation to its bag distribution and sourcing business, the monetary value of the "GROWN-UP" trademark exclusively licensed to GULA would be immaterial. As such, our Directors are of the view that such arrangement would not have any material adverse impact on our business operation and financial position. In contrast, the license of the "GROWN-UP" trademark to GULA could potentially strengthen our distribution network as GULA is adopting a name which we believe already has presence in the backpack and luggage industry in its distribution business.

The use of our "GROWN-UP" trademark is controlled and reputation risk on our Group is minimal

Our Directors consider that reputation risk we are exposed to, if any, as a result of the license of our "GROWN-UP" trademark to GULA is minimal given that:

(i) GULA cannot adopt our "GROWN-UP" trademark in the products it distribute. Pursuant to the name license agreement, GULA can only use the "GROWN-UP" trademark as a company name in relation to its bag distribution and sourcing business and therefore GULA is restricted from adopting the trademark "GROWN-UP" as a brand name in its products. Our Directors confirm that they are not aware that GULA has adopted the "GROWN-UP" trademark in any of its products in breach of the name license agreement other than using the trademark in its company name pursuant to the name license agreement.

(ii) Although we do not sell any products under the "GROWN-UP" brand and consider that the goodwill attached to our "GROWN-UP" trademark only lies in our Group's presence in the OEM and ODM business, we reserve the sole right to register our "GROWN-UP" trademark for any goods and services throughout the world pursuant to the name license agreement. GULA is prohibited from registering or purporting to register our "GROWN-UP" trademark in any jurisdiction in the world without our prior written consent nor shall it prevent our Group from registering our "GROWN-UP" trademark in any jurisdiction throughout the world.

(iii) Goodwill and reputation attached to our "GROWN-UP" trademark is expressly reserved. Pursuant to the name license agreement, all rights in and to our "GROWN-UP" trademark (including any future registrations in respect of the trademark) and to all the reputation and goodwill associated with the trademark throughout the world, including any reputation and goodwill that may accrue as a result of GULA's use of the name "Grown-Up Licenses (Asia) Limited", are reserved and shall belong absolutely to our Group.

(iv) The use of our "GROWN-UP" trademark by GULA is subject to restrictions. GULA's use of the name "Grown-Up Licenses (Asia) Limited" under the name license agreement is subject to and conditional on (a) GULA not doing or failing to do any act or thing whereby the validity, enforceability or the reputation or goodwill associated with the trademark anywhere in the world, is likely to be prejudiced; and (b) GULA and its affiliates not undertaking any act which is inconsistent with our ownership rights in respect of the "GROWN-UP" trademark. Therefore, any act by GULA which prejudices reputation attached to the "GROWN-UP" trademark shall be considered as a breach of the name license agreement which shall entitle us to terminate the agreement as detailed below.

(v) We are entitled to terminate the name license agreement upon any breach by GULA of the above or upon GULA becoming insolvent. The termination provisions under the name license agreement provide that we may terminate the agreement with immediate effect if GULA (a) commits any breach of the name license agreement which is material and not capable of remedy, or which is capable of remedy but which is not remedied within 14 days of notice from us to do so; or (b) becomes insolvent, ceases to carry on its business, has a receiver, liquidator, administrative receiver, administrator, trustee or other similar officer appointed over the whole or part of its assets, or an order is made or a resolution is passed for its winding up or if any administration order is made in its respect or if it makes an arrangement or assignment for the benefit of its creditors or if any analogous event to any of the foregoing occurs in respect of GULA anywhere in the world.

(vi) The use of our "GROWN-UP" trademark by GULA is subject to indemnity provisions. Pursuant to the name license agreement, GULA shall indemnify us and all members of our Group from and against all claims, liabilities, loss, damage, costs and expenses (including legal fees) suffered or incurred in connection with the use of "GROWN-UP" trademark, or in connection with the manufacture, use, sale or other dealing in GULA's bag distribution and sourcing business under or by reference to the "GROWN-UP" trademark.

(vii) As with our other ancillary agreements entered into with GULA, Mr. Wong has no incentive to terminate the name license agreement as GULA is acting as a distributor of and creating continuing business synergy with, our Group. Mr. Wong also has no incentive to prejudice the reputation and goodwill attached to the "GROWN-UP" trademark given that any potential harm on the trademark as a result of business actions taken by GULA may trigger the termination provisions under the name license agreement entitling us to terminate the license. Further, with Mr. Wong's experience in the industry and as one of the founders of our Group, our Directors do not consider that any business actions undertaken by GULA in its ordinary course of business would cause potential harm to the reputation of the "GROWN-UP" trademark. Our Directors confirm that no irregularity has been noted regarding the use of our "GROWN-UP" trademark by GULA up to the Latest Practicable Date.

We benefit from the potential revenue generated from GULA

The expected business synergy created between our Group and Mr. Wong's business is carefully monitored and quantified. As with our other distributors, GULA is required to produce a marketing plan containing detailed information on the sales forecasts, advertising, marketing, distribution plans and programmes, retail price level, market analysis and sales strategy. If GULA does perform in accordance with its marketing plan, we will benefit from the potential revenue generated from GULA and the reputation and goodwill attached to the *Ellehammer* brand in the AP Regions built up by GULA.

PRE-IPO INVESTMENT

On 3 October 2017, GPG and the Pre-IPO Investor entered into a share purchase agreement pursuant to which the Pre-IPO Investor agreed to acquire 16 shares of GHL BVI, representing 16% of the entire issued share capital of GHL BVI at a consideration of HK$14.4 million, which was arrived at after arm's length negotiations between GPG and the Pre-IPO Investor with reference to the net asset value of GHL BVI. HK$12.0 million of the consideration was settled by cash on 4 October 2017. The remaining consideration of HK$2.4 million was settled by cash and the Pre-IPO Investment was completed on 31 October 2017, upon which GHL BVI became owned by GPG and the Pre-IPO Investor as to 84% and 16%, respectively.

Background of the Pre-IPO Investor

Favourable Outcome Limited is an investment holding company incorporated in the BVI with limited liability on 16 September 1999 and is owned by Mr. Choi and Mr. Tam as to 70% and 30%, respectively.

Mr. Choi is a private investor with over seven years of experience in capital markets. He is a former non-executive director of Lapco Holdings Limited (stock code: 8472), the issued shares of which are listed on the Stock Exchange, from August 2016 to August 2018. He was responsible for advising on opportunities for business development and strategic planning of such listed group, relating to corporate, business and operational strategies.

Mr. Tam is a private investor and entrepreneur with over 30 years of experience in manufacturing and marketing electronic components and consumer electronic products. From 1992 to 2015, he was an executive and managing director of Group Sense (International) Limited (stock code: 601), the issued shares of which are listed on the Stock Exchange. He was also one of the founders of such listed group and was responsible for the overall marketing and sales strategies of such listed group's products.

Mr. Berg became acquainted with Mr. Tam and Mr. Choi through a social event in May 2017. During the occasion, Mr. Tam and Mr. Choi expressed their interests in investing in the manufacturing sector. Between May and September 2017, Mr. Berg, Mr. Choi and Mr. Tam met on several occasions where Mr. Berg further introduced the market trend and business opportunities in the backpack and luggage manufacturing industry, our Group's business activities, products, business model and prospects. Taking into consideration both (i) Mr. Tam's experience in the manufacturing industry and advice on business operation and strategic development that could bring to our Group; and (ii) Mr. Choi's experience in capital markets, business development and strategic planning, Mr. Berg, through GPG entered into the Pre-IPO Investment agreement with the Pre-IPO Investor on 3 October 2017.

The following table summarises further details of the Pre-IPO Investment:

Name of the Pre-IPO Investor	Favourable Outcome Limited
Date of Pre-IPO investment agreement	3 October 2017
Amount of consideration paid	HK$14.4 million
Payment date of the consideration	31 October 2017
Number of Shares held by the Pre-IPO Investor upon the Capitalisation Issue	132,800,000 Shares
Cost per Share paid by the Pre-IPO Investor (taking into account the Capitalisation Issue)	HK$0.11
Discount to the Offer Price (taking into account the Capitalisation Issue)	78%
Shareholding in GHL BVI upon the completion of the Pre-IPO Investment	16%
Shareholding in our Company upon the completion of the Pre-IPO Investment and the Reorganisation	16%

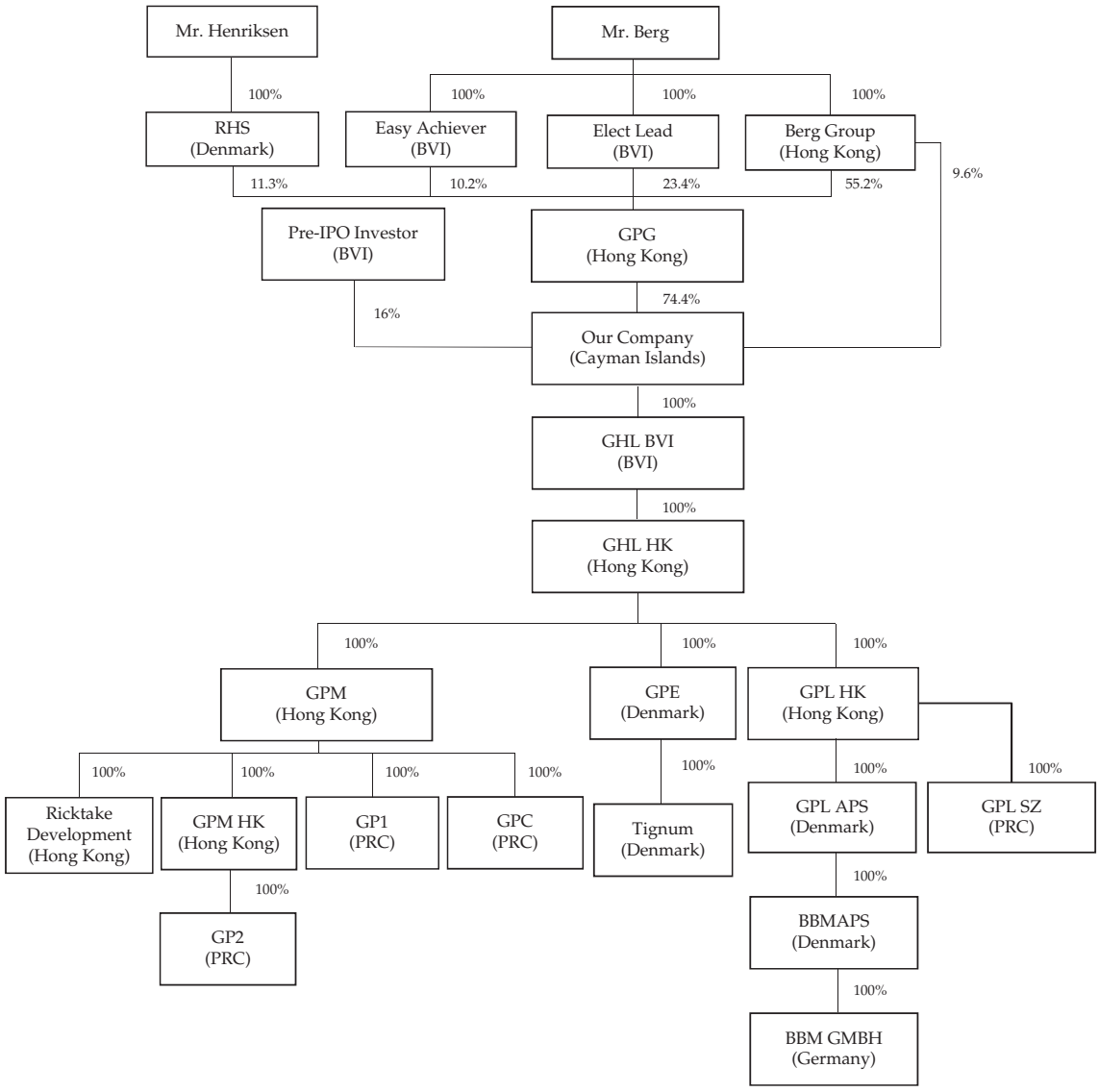
Shareholding in our Company upon the Listing	13.3%
Use of proceeds by our Group	Not applicable as the Pre-IPO Investment was made by the Pre-IPO Investor acquiring shares in GHL BVI from GPG
Strategic benefits the Pre-IPO Investor will bring to our Group	Mr. Choi and Mr. Tam will be able to introduce their business network to our Group
Lock-up and public float	The Shares held by the Pre-IPO Investor are not subject to any lock-up arrangement and will not be counted towards the public float of our Company and will rank pari passu with the Shares then in issue and to be listed on the Stock Exchange.

No special right was granted to the Pre-IPO Investor in relation to the Pre-IPO Investment.

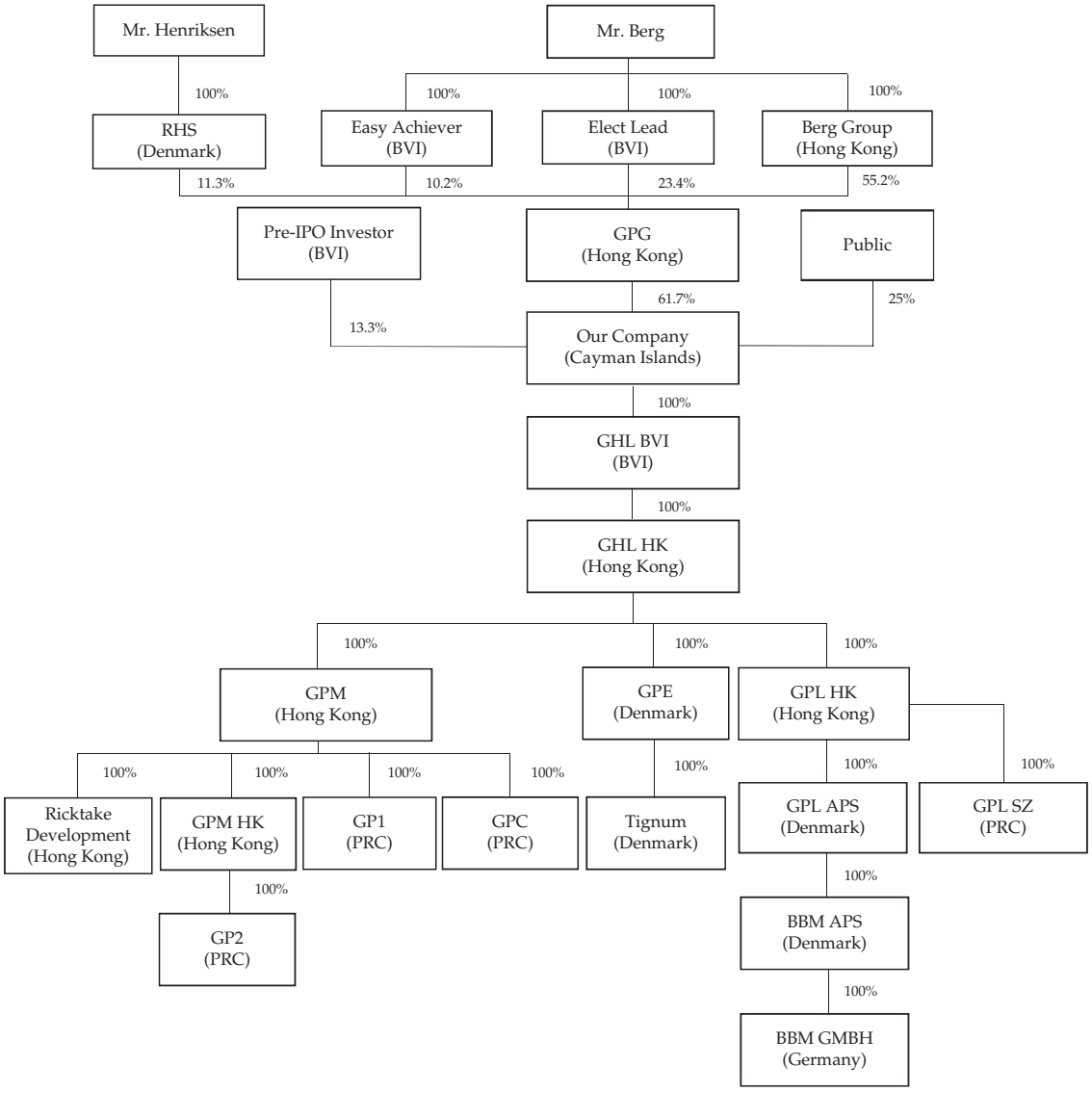
Save for the Pre-IPO Investment, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the Pre-IPO Investor did not have any past or present relationship or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective close associates and was an independent third party as at the Latest Practicable Date.

Our Directors and the Sole Sponsor confirm that they consider the Pre-IPO Investment is under normal commercial terms and in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL44-12 and HKEx-GL43-12 issued by the Stock Exchange, based on the relevant documentation.

The following chart sets forth the corporate and shareholding structure of our Group immediately following completion of the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer:



The following chart sets forth the corporate and shareholding structure of our Group immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).



OVERVIEW

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. Our backpack and luggage products under such product portfolio are categorised into: (i) private label products; and (ii) branded products covering licensed brand products and proprietary *Ellehammer* brand products. These products catered to kid, teen, sports, leisure, business, travel and technical segments. According to the CIC Report, we ranked the eighth among the OEM, ODM and OBM companies headquartered in China for backpack and luggage products with a market share of approximately 0.71% based on our ex-factory revenue in 2018. The table below further explains our business model:

Product portfolio	**Business model adopted**
Private label products	OEM & ODM
Branded products	ODM for licensed brand products pursuant to the licensing arrangements with internationally renowned brand licensors, including Licensor A, Licensor B and Licensor C. OBM for proprietary *Ellehammer brand* products

Under the business models of ODM and OBM where our design and development capability would be required by our customers, our products are designed and developed by our product design and development team based on our own design concept and/or our customers' general concept or specifications. In some situations, our customers may provide their product designs for our product development.

In 2012, leveraging on our experience in designing and manufacturing backpack and luggage under the private labels of our customers and the licensed brands, we launched our proprietary *Ellehammer* brand, which offers backpack and luggage products targeting the business and travel segments. We sell the *Ellehammer* brand products through third party distributors and our self-operated distribution channel. We believe the *Ellehammer* brand products have gained reputation for the use of durable materials.

We commenced our business in 1989. Our head office is based in Hong Kong and our production facilities are located in Shenzhen, Guangdong Province and Ganzhou, Jiangxi Province, the PRC. We have a sales and marketing office in Aarhus, Denmark. We also have three showrooms located in our head office in Hong Kong, our sales and marketing office in Aarhus, Denmark and our global development and supply chain centre in Shenzhen, the PRC, respectively.

With nearly three decades of operations, our business model has evolved from a traditional OEM to one that is a combination of OEM, ODM and OBM. We believe that our business model differentiates us from traditional OEM backpack and luggage manufacturers. Our Directors believe that we distinguish ourselves by our ability in providing full supply chain capabilities covering product design and development, manufacturing production control, quality assurance, sales and marketing, logistics and distribution.

We have built a diverse customer portfolio comprising private label customers, distributors, wholesalers and retailers. We sell a wide range of backpack and luggage products to customers located primarily in the North America, Europe, the Middle East and the PRC. During the years ended 31 December 2016, 2017 and 2018, our products were sold to 56, 58 and 59 countries on a direct sales basis, respectively.

Apart from direct sales to private label customers, we also adopt a hybrid marketing system under which we use both self-operated distribution channel and third party distributors to sell our branded products. Our self-operated distribution channel is based in our sales and marketing office in Aarhus, Denmark, which sells products mainly to wholesalers and retailers in Europe. In the majority of our geographical markets, we adopt the strategy of engaging third party distributors to distribute our products in their local markets whereby we could leverage on their established distribution networks to penetrate into the relevant markets in a more expedient and cost-effective manner. When taking into account collectively the distribution network of the third party distributors and our self-operated distribution channel, our branded products were sold to a total of 108, 102 and 94 countries for each of the years ended 31 December 2016, 2017 and 2018, respectively. Our Directors consider that such hybrid marketing system enables us to build up our expanded market coverage in a cost-effective way and enhance our ability to manage the third party distributors equipped with our market knowledge gained through our self-operated distribution business.

With a view to effectively manage our costs and optimise our production flow, we adopt a flexible production policy under which we decide whether to manufacture products internally or outsource the entire or part of the production process to our subcontractors in order to increase flexibility on staffing and save costs on human resources management. We adopt stringent quality assurance and control procedures on our subcontractors throughout the entire production processes.

During the Track Record Period, we experienced steady growth in our revenue. For the years ended 31 December 2016, 2017 and 2018, our revenue amounted to approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively.

The following table below sets forth the breakdown of our revenue attributable to different product portfolio:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK$'000		*HK$'000*		*HK$'000*	
Private label products	397,732	63.1	429,754	65.1	514,392	75.9
Branded products	232,638	36.9	230,294	34.9	163,072	24.1
– Licensed brand products	108,338	17.2	139,677	21.2	139,158	20.6
– *Ellehammer* brand products	124,300	19.7	90,617	13.7	23,914	3.5
Total	630,370	100.0	660,048	100.0	677,464	100.0

COMPETITIVE STRENGTHS

Global licensing strategy and strong standing relationships with internationally renowned brand licensors

We adopt a global licensing strategy under which we partner with internationally renowned brand licensors and develop our products branded under various licensed brands for sales and distribution on a global basis. As at the Latest Practicable Date, we have been granted licence rights of three brand licensors, including Licensor A, Licensor B and Licensor C. We maintain regular communications with the brand licensors in order to foster our relationship with them.

We have established over eight and 14 years of relationships with Licensor A and Licensor B, respectively. Our licensing agreements with both of them have been renewed uninterruptedly since the commencement of our cooperation with them in 2010 and 2004, respectively. We entered into the licensing agreement with Licensor C in September 2017. We believe our established relationship with the licensors have fortified our market presence in the backpack and luggage industry and enhanced our ability to continually seek licensing rights of other brands as well as new customers.

Our licensing strategy has also enabled us to gain access to a rich pool of distributors of our licensors in a cost-effective manner. For instance, when we first became the licensee of Licensor A in 2010, we were allowed to access to and leverage on its network of over 40 distributors in over 70 countries, which substantially expanded our sales network.

As at the Latest Practicable Date, we have entered into four licensing agreements with three internationally renowned brand licensors. Further details are set forth in the paragraph headed "Our business model — Branded Products — Licensed brands products" in this section. For the years ended 31 December 2016, 2017 and 2018, the revenue derived from the sale of licensed brand products accounted for approximately 17.2%, 21.2% and 20.6% of our total revenue, respectively. With our proven track record in brand management, we believe we can maintain our business relationships with our licensors to sustain our business. We also believe our cooperation with various internationally renowned brand licensors will continue to strengthen our market presence and our market position in the international markets.

Strong design, research and development capabilities

We believe that a strong design, research and development team is critical to our sustainable development and success. We utilise a market-oriented approach in the design and development of our products. Our sales and marketing team works closely with our product design and development team to exchange information on product quality standards and requirements, market trends and customers' preferences and to more effectively incorporate these feedbacks into our product design and development process. Our sales and marketing team is actively involved in the development process in determining whether the product is commercially viable and is likely to achieve widespread acceptance in the marketplace. As at the Latest Practicable Date, our product design and development team comprised of 82 staff. Our product design and development team comprises product designers, pattern technician and prototype craftsmen. Our product design and development team focuses on generating design concepts, researching on the characteristics of the suitable materials, designing the product collection and transforming such designs into physical products by taking part in the prototype development process. Our product designers assist us in identifying and determining the latest seasonal themes, colours, appearance, functions and materials to be used for our backpack and luggage products to match with the preferences of our consumers in different target markets. Our product designers generally have seven to 16 years of experience in design, research and development of backpack and luggage products. In order to complement our design capabilities, we have also engaged two experienced external backpack and luggage designers based in Singapore and Germany who have been working for our Group for six and 11 years, respectively.

Our product design and development team gathers source of inspiration and market information about the latest trend of similar products in the global market by attending industry exhibitions and events, and by visiting and communicating with our customers. We meet regularly with our raw material suppliers to gain knowledge on the latest types of materials that could be used to develop new backpack and luggage products. In situations where our customers provide us with a preliminary idea or concept, we collaborate with them to enhance on the product design and functionality. Our major customers regularly visit our showrooms and production facilities and share with us their latest product trend information. We display our new designs and newly launched products in our showrooms, from which our customers may select the design that they desire. One of our top five customers has staff stationed in our Shenzhen Factory, who communicate with our product design and development team regularly to recommend

solutions to us during the design process. Our product design and development team also works closely with our in-house production teams and our subcontractors to ensure the feasibility of production.

By fully utilising our design, research and development capabilities, we are able to continuously conceptualise, design and develop new backpack and luggage products, acting in line with the market trend and addressing the desire and demands of our customers. We endeavour to improve the functionality of our existing products by adding additional feature to them without significantly increasing our production cost. We design and launch new products from time to time depending on the product brands. We design and develop new products for our private label customers upon their request. For the licensed brands, we launch new product series twice a year and also a yearly special collection. For the *Ellehammer* brand products, we launch new product series once a year. With our continuous efforts and investments in research and developments, we have obtained many achievements and recognition including 5-Star Licensee under Licensor A's 2017 Licensee Excellence and Recognition Programme and Licensing Awards from Licensor B. We believe our strong design capabilities enable us to cope with the rapidly evolving backpack and luggage industry.

Our streamlined production process allows us to manage our costs effectively

We have large-scale production facilities. As at the Latest Practicable Date, our Shenzhen Factory and Jiangxi Factory had an aggregate of 30 production lines. Further information on our annual production capacity is set forth in the paragraph headed "Production facilities" in this section.

We believe that our large-scale operation allows us to maintain a highly competitive cost structure as we are able to benefit from economies of scale, cost effectiveness and efficiencies in our operations. We have centralised our procurement, supply chain, production planning, and logistics systems in our global development and supply chain centre in Shenzhen, enabling us to gain bargaining power to negotiate better prices on raw materials and freight rates. In addition, our systemic production process enables us to reduce the likelihood of costly mistakes at the production stage and the rate of reprocessing and reworking, thereby reducing wastage.

With a view to effectively manage our costs and optimise our production flow, we adopt a flexible production policy under which we decide whether to manufacture products internally or outsource the entire or part of the production process to our subcontractors in order to increase flexibility on staffing and save costs on human resources management. We may subcontract the entire or part of the production process to our subcontractors. We have two major types of subcontracting arrangement, namely on-site subcontracting and off-site subcontracting arrangement. Under on-site subcontracting arrangement, our subcontractors arrange for its workers to conduct the designated production processes at our production facilities. For off-site subcontracting arrangement, our subcontractors manufacture our ordered products or conduct the designated production processes at their own production facilities. We may subcontract the entire or part of the production process to our subcontractors under off-site subcontracting arrangement. Depending on the requirements of our customers, we may

need to obtain prior approval from some of our customers for the engagement of subcontractors. Further information on our subcontractors is set forth in the paragraph headed "Our Suppliers" in this section.

Our Directors consider that such arrangement enables us to effectively manage our costs and optimise our production flow. We do not have to incur excessive capital expenditure on purchasing certain types of production machinery that require high capital investment. For instance, we outsource the production of hard-side luggage as we had not invested in such production machinery as at the Latest Practicable Date. It also assists us to manage production demands without the need of keeping a large workforce.

We adopt stringent quality assurance procedures to ensure the quality of the products manufactured internally and externally. Further information is set forth in the paragraphs headed "Quality assurance and control" in this section. We also believe that our large-scale production operation with a hybrid of our own production facilities and external manufacturers equips us with the ability to deliver products to our customers on a timely basis at a cost-efficient manner.

Extensive and diverse international sales network for our branded products with a hybrid of third party distributors and self-operated distribution channel

We adopt a hybrid marketing system under which we use both third party distributors and self-operated distribution channel to sell our branded products. In order to capture markets in different geographical locations, we adopt the strategy of engaging third party distributors to distribute our branded products in their respective local markets whereby we could leverage on their established distribution networks to penetrate into these markets in a more expedient and cost-effective manner. Our self-operated distribution channel is mainly operated through our sales and marketing office in Aarhus, Denmark, which sells branded products mainly to wholesalers and retailers in Europe. When taking into account collectively the distribution network of the third party distributors and our self-operated distribution channel, our branded products were sold to a total of 108, 102 and 94 countries for each of the years ended 31 December 2016, 2017 and 2018, respectively. Our Directors consider that such hybrid marketing strategy enables us to maximise the exposure of our different products to our targeted customers in different geographical locations in a more cost-effective way. With our market knowledge gained through our self-operated distribution business, we can also enhance our management in overseeing these third party distributors.

Our licensing strategy has also enabled us to gain access to a rich pool of distributors of our licensors in a cost-effective manner. For instance, when we first became the licensee of Licensor A in 2010, we were allowed to access to and leverage on over 40 of its distributors in over 70 countries, which substantially expanded our sales network. We also identify new distributors through participating in industry exhibitions, approaching distributors in the market which are the authorised distributor of other well-established brand licensors and getting referrals of distributors with sound market reputation from our existing distributors. We currently leverage on our distributors to capture market share in our key geographical markets including North America, Europe and Middle East.

During the years ended 31 December 2016, 2017 and 2018, sales of our self-operated distribution channel accounted for approximately 5.7%, 7.3% and 8.8% of our total revenue, respectively. Based in Aarhus, Denmark and targeting at the Scandinavia and DACH market, our self-operated distribution channel provides us first-hand contact with our customers and enhances our ability managing the third party distributors in order to optimise our future marketing efforts.

Experienced management team with comprehensive industry, market and product knowledge and a proven track record

Our Group's long operating history of nearly three decades in the backpack and luggage industry has enabled us to develop a strong management team with a comprehensive operation and industry knowledge. Our management team is characterised by their continual commitment to our Group, entrepreneurship and professional execution capability, and extensive experience in the backpack and luggage industry. Our management team possesses extensive experience in the areas of raw material sourcing, manufacturing, sales and marketing and brand management within the backpack and luggage industry. Our Group is led by Mr. Berg, our Controlling Shareholder, chairman and executive Director, who has joined our Group since January 1997 and has played a leading role in our overall business growth since then. Mr. Henriksen and Mr. Cheng, who are also our executive Directors, have been serving our Group for 14 and 25 years, respectively, and possess more than 24 years of experience in the sales and marketing industry and 25 years of experience in the backpack and luggage industry, respectively. Further information on the credentials of our Directors and members of the senior management is set forth in the section headed "Directors and senior management" in this prospectus. Leveraging on their foresight and in-depth industry knowledge, our management team has been able to formulate sound business strategies, assess and manage risks, anticipate changes in consumer preferences, and capture significant market opportunities. We believe that our management team possesses the vision and in-depth industry knowledge required to guide our strategic development, identify new market opportunities and to effectively execute sound business strategies.

OUR BUSINESS STRATEGIES

Increase our product offerings through obtaining new licence rights from internationally renowned brand licensors

In order to enhance our market share in the backpack and luggage industry and capitalise on our international sales network, we intend to seek new licensing opportunities with internationally renowned brand licensors to expand our product portfolio. During the Track Record Period, our licensed products were mainly focused on the kids, leisure, business and travel segments. We intend to continue to seek licensing cooperation opportunities with internationally renowned brand licensors to reinforce our penetration into different product categories. We evaluate the market trend on an on-going basis and continue to seek new licensing opportunities with internationally renowned brand licensors so that we can design, manufacture and sell the licensed brand products on a global basis or the targeted geographical locations. Our Group has been

exploring potential opportunities to cooperate with licensors. We identify potential new brand licensors by participating in industry exhibitions or directly approaching the leading brands from the product segment that we are interested in and promoting our design, manufacturing and distribution capabilities to them. In certain cases, we are approached by or getting into contact with brand licensors through our business network of distributors.

Our Directors consider various selection criteria when seeking new licensing opportunity including the product segments of the brand licensors, the distribution network of the brand licensors which we could leverage on for distributing the licensed products and geographic or other exclusivity. As at the Latest Practicable Date, we had identified four brand licensors which we are exploring potential cooperation with. Two of the brand licensors are global sportswear, footwear and outerwear companies headquartered in the U.S. and among which one of them are listed on the New York Stock Exchange. The remaining two brand licensors are a denim brand company in Japan and a brand company focused on the design, engineering, production and sale of luxury performance sports cars which is dual-listed on the New York Stock Exchange and Italian Stock Exchange.

Despite the licensing arrangements involve the payment of a guarantee minimum royalty, we believe we would benefit from the licensing arrangements with these internationally renowned brand licensors as we would be able to enjoy the economies of scale in both our product development and production of licensed brand products for sales in multiple countries. Our Directors consider that licensing arrangements also enhance our reputation in the industry and our ability in obtaining new customers, thereby expanding our market share and solidifying our foothold in the backpack and luggage industry.

We intend to utilise our internal financial resources on implementing marketing activities to assist us in obtaining new license rights.

Expand and strengthen our presence in the licensed brand product segment

We have obtained new licensing opportunity in the PRC from Licensor B and we intend to allocate more resources on the design and development of bag and luggage products to be launched under the brand of Licensor B. We have commenced our cooperation with Licensor B since 2004. Over the years, the range of licensed products and coverage of geographical regions granted to us had been growing upon renewal of licensing agreements. Under the latest licensing agreement entered into with Licensor B, our rights to design, manufacture and distribute licensed products came in two stages. With effect from 1 January 2017, licensed products covered by the licensing agreement covered bags including school bags, backpacks and trolley backpacks, etc. And with effect from 1 January 2018, licensed products covered by the licensing agreement was extended to cover luggage including trolleys and suitcases, etc. Further, alongside with other geographical regions, for the first time, we were allowed to distribute the licensed bag and luggage products in the PRC. Further details are set forth in the paragraph headed "Our business model — Licensed brand products — Licensing arrangements with licensors" in this section. We plan to develop and launch a new collection of bag products under the

brand of Licensor B for distribution in the PRC market and a new collection of luggage products for distribution in the global market. The budget allocated for this purpose will be spent on conducting marketing research for formulating our product and channel strategy, developing and testing the prototypes, preparing on product presentation to licensors and launching marketing campaigns for the new products. We believe that our new licensed brand product collections will deepen our market penetration, which will further enhance our ability to obtain new licensing rights of internationally renowned brands.

In view of the new collection of bag and luggage product to be launched under the brand of Licensor B, we believe that it is necessary to strengthen our marketing efforts in this regard. We plan to construct a product library within our existing showroom in the global development and supply chain centre in Shenzhen, which will be designated for the marketing promotion of licensed brand products of Licensor B. The product library is intended to create an environment for interaction with our existing and potential business partners and to serve the purpose of demonstrating to our distributors the characteristics of the materials used in the manufacturing process and the functionality of our backpack and luggage products and thereby enhancing their knowledge and awareness over the licensed brand products of Licensor B.

We intend to utilise approximately HK$8.1 million or 16.3% of the net proceeds from the Share Offer on intensifying our design and development efforts on the licensed brand products.

Enhance our design and development capabilities

We believe that product design and development in response to high quality standards, customers' preferences and requirements and market trends are crucial to our success. We also believe that our strong product design and development capabilities enable us to offer a diverse product portfolio and to maintain our competitiveness.

Our goal is to translate our product design and development initiatives into profitable backpack and luggage products. To achieve this goal, we plan to continue to improve our design capabilities and skills by expanding our product design and development team. Our product design and development team has 82 staff as at the Latest Practicable Date. We plan to hire a new head of design and development team to be based in Hong Kong, who will be responsible for managing all aspects of our product design and development deliverables to ensure our designs are aligned to customers' expectation and executed within budget and timeline.

Historically, we have put more focus on the product category of backpacks and other types of bags, as compared to luggage, which is evident from the higher proportion of revenue generated from sales of this product category during the Track Record Period. Going forward, we intend to devote more efforts on the design and development of luggage products to capture the sales opportunities arising from the continuous growth in the market demand for luggage products. According to the CIC Report, during the forecast period from 2018 to 2023, as driven by increasing global tourism, the retail sales of luggage in the PRC is expected to grow from USD2.1 billion to USD3.2 billion at a CAGR

of approximately 8.1%. The new licensing arrangement entered into with Licensor B as set forth in the paragraph headed "Our business model — Licensed brands products — Licensing arrangements with licensors" in this section will further enable us to penetrate into the luggage market in the PRC. We are granted for a licence period from 1 January 2018 to 31 December 2023 for luggage products under the licensing agreement with Licensor B. We are authorized to design and develop luggage products once the licence period commences from 1 January 2018 but the luggage products would only be launched in 2019 after approval of the sample products has been granted by Licensor B. As at the Latest Practicable Date, we had commenced the design and development of luggage products under the brand of Licensor B. We plan to further hire a new luggage designer based in Hong Kong to intensify our efforts in the design and development of the luggage products. We expect the sample products would be available for approval by Licensor B during the second quarter of 2019. We expect to receive orders for luggage products of Licensor B later in 2019. Pursuant to the licensing agreement with Licensor B, our sales of luggage products are subject to minimum sales commitment of DKK18,291,000, DKK23,785,000 and DKK29,000,000 in 2019, 2020 and 2021, respectively.

We also plan to construct a product laboratory in our Hong Kong head office for design and development as well as marketing purpose. The product laboratory is intended to be used as a workshop for our designer to develop and test prototypes based on different manufacturing materials used in the manufacturing process. Such laboratory can also serve as a showroom where we could promote our branded products to our distributors and OEM and ODM solutions to our private label customers.

We intend to utilise approximately HK$5.7 million or 11.4% of the net proceeds from the Share Offer on enhancing our design and development capabilities.

Expand our sales and marketing network

Our Directors consider that our success builds largely on our extensive sales and marketing network. Going forward, we plan to continue to expand our existing sales and marketing network. We plan to participate in exhibitions in Europe, U.S. and Asia to promote our licensed products and *Ellehammer* brand products to potential distributors. Under our plan to expand our sales and marketing network, we also plan to place a particular focus in the PRC given the new licensing opportunities we obtained from Licensor B in designing and manufacturing bags and luggage for sales in the PRC. Further information is set forth in the paragraph headed "Our Business model — Licensed brand products — Licensing arrangements with licensors" in this section. We plan to hire a commercial director based in the PRC, who will be responsible for identifying new distributors in the PRC and APAC region.

Currently, our distributors place purchase orders with us through our distributor order system launched in 2013, which was our first online order processing system. We plan to further develop a global web portal to replace our existing distributor order system. On top of the order processing function, the global web portal will offer additional marketing and data management functions. The global web portal will serve as a uniform marketing platform on which our distributors could download our marketing materials on the licensed brand and *Ellehammer* brand products. The global web portal

will also be integrated with our new ERP system such that our distributors will be able to check the available stock for the products that we offer as well as the estimated production and delivery time. The global web portal is expected to be launched in the second quarter of 2020. We plan to hire a third party software developer for the development, testing and implementation of the global web portal for us. We also plan to hire a content manager who will be responsible for collaborating with our marketing team to plan and maintain the site content on our global web portal to enhance our sales and the brand awareness on our licensed brand and *Ellehammer* brand products.

We intend to utilise approximately HK$7.3 million or 14.6% of the net proceeds from the Share Offer on expanding our sales and marketing network.

Enhance and expand our manufacturing capabilities

We plan to enhance our manufacturing capabilities by increasing the automation level in our production process. In view of the increasing labour costs and difficulty in hiring skilled workers in the PRC, we intend to minimise labour costs and increase the production efficiency by implementing automation in various stages of the production processes. We plan to replace certain of the existing machinery and equipment in both our Shenzhen Factory and Jiangxi Factory. We will also need to acquire additional units of machinery and equipment for setting up the 12 additional production lines in the new production building in our Jiangxi Factory as further discussed below. The new machinery and equipment to be acquired includes various types of computerised sewing machines, such as, zig-zag sewing machine, double needle lockstitch machine and bartack sewing machine, fabric spreading machine and fabric inspecting machine. The new machinery and equipment to be acquired will be used for production of bag and luggage products and will enhance our technical standard as they have higher automation level and productivity than those in our existing ones. We currently do not expect to record any material write off on the amount of property, plant and equipment as a result of our expansion plan.

We also plan to expand our manufacturing capabilities by constructing a new production building in our Jiangxi Factory to increase the number of production lines in order to meet the increasing demand for our products and to capture future growth opportunities in the backpack and luggage industry. Our existing production facilities include our Shenzhen Factory and Jiangxi Factory in the PRC, which has three and 27 production lines as at the Latest Practicable Date, respectively. Our existing production facilities in our Jiangxi Factory are approaching full utilisation as further described in the paragraph headed "Production facilities" in this section.

According to the CIC Report, global retail sales of backpack and luggage products are expected to grow during 2018 to 2023. From 2018 onwards, retail sales values of luggage in China, APAC region, and all other countries are expected to continue growing at respective CAGRs of approximately 8.1%, 10.6%, and 10.8%, reaching US$3.2 billion, US$5.4 billion, and US$2.4 billion, respectively, by 2023. We are of the view that a larger production capacity is required to (i) cater the needs of our existing customers; (ii) take up production orders from new customers, particularly in the PRC and APAC region; and (iii) avoid over-reliance on subcontractors. We intend to set up 12 additional production lines

in the new production building in our Jiangxi Factory in two phases, with the first eight production lines commencing service in 2021 and the remaining four production lines commencing service in 2022, which will increase our estimated maximum production capacity of the Jiangxi Factory by approximately 44.4% upon expected full completion in 2022. We intend to operate these new production lines gradually and progressively. We expect that in 2023, approximately 97.9% of our total in-house production facilities will be in use.

Firstly, regarding our existing customers, our Directors believe that our major customers will continue to place orders with us, in particular, Customer A, Customer C and Customer E, which are three of our largest customers with established business relationship since 2014, 2009 and 2004, respectively. Due to the relatively high technical specifications of the products manufactured by us, Customer A, Customer C and Customer E do not allow subcontracting of the manufacturing process. As a result, during the Track Record Period, orders from Customer A, Customer C and Customer E were produced with our own production facilities. The number of products ordered by these customers exhibited an increasing trend during the Track Record Period. During the Track Record Period, the number of products we manufactured for Customer A, Customer C and Customer E in aggregate increased from approximately 6.2 million for the year ended 31 December 2016 to approximately 7.2 million for the year ended 31 December 2017, and to approximately 8.1 million for the year ended 31 December 2018. Taking into consideration of our eight and four new production lines to be launched in 2021 and 2022, we forecast the revenue to be generated from Customer A, Customer C and Customer E using our in-house production facilities will reach HK$478.1 million, HK$538.4 million and HK$571.1 million for each of the three years ending 31 December 2023, respectively, among which confirmed orders and indicative orders contribute 98.2%, 86.2% and 86.7% of the forecasted revenue for these three customers for the same period.

The average utilisation rate of our existing production facilities was approximately 91.7%, 97.3% and 97.4% for the years ended 31 December 2016, 2017 and 2018, respectively. The increase in orders have contributed to the high average utilisation rate of our existing production facilities since Customer A, Customer C and Customer E in aggregate accounted for approximately 95.6%, 96.3% and 96.7% of our actual in-house production volume for the years ended 31 December 2016, 2017 and 2018, respectively. Our Directors are of the view that our in-house production capacity has imposed limitations on our Group's ability to take up new orders from these customers.

Based on the indicative orders from Customer A up to the Latest Practicable Date, orders from Customer A in 2021 will amount to approximately 4.1 million pieces of products, representing a recognisable revenue of approximately US$48.4 million for the same year. Based on the industry forecasts in the CIC Report in which retail sales value of luggage in China, APAC region, and all other countries are expected to continue growing at respective CAGRs of approximately 8.1%, 10.6%, and 10.8% from 2018 onwards and our management's expectations with reference to our proven track record, historical order amounts and well established business relationship with particular customers, we further expect orders from Customer C and Customer E will amount to approximately 1.5 million and 3.3 million pieces of products in 2021, representing a recognisable revenue of

approximately US$8.5 million and US$4.6 million for the same year, respectively. Taking into consideration the utilisation rate of our existing production facilities, our historical operating data, indicative orders from customers and industry forecasts, our Directors expect that our existing production facilities will not be sufficient to meet the foreseeable increase in orders in the future and we expect that there will be sufficient demand for our new production lines to be launched in 2021 and 2022. We expect orders from Customer A, Customer C, Customer E and other existing customers in aggregate will take up approximately 74.9% of our total in-house production capacity in 2023.

Secondly, we intend to invest in expanding our sales and marketing network and enhancing our design and development capabilities. In order to attract new customers and develop new markets, our sales and marketing team continues to dedicate resource and effort in conducting market research and feasibility study. Our Directors plan to explore and develop new sales and marketing network by meeting with local customers, distributors and wholesalers in the PRC and APAC regions. We have been predominately adopted distributorship sales strategy in most of our targeted markets. We believe that we are equipped with necessary knowledge and experience in managing our distributors in a consistent and systematic manner, and can thereby efficiently leverage on their local market knowledge, established network and sales channels. Since we intend to spend approximately HK$2.6 million of the net proceeds on hiring a commercial director based in the PRC, who will be responsible for identifying new distributors in the PRC and APAC region, we believe that we will be able to expand and strengthen our sales network in the PRC and APAC region and explore new business relationship with potential customers. Based on our previous experience in introducing products to new markets and the prevailing market condition of the PRC and APAC regions, we conservatively estimate that approximately 14.1% of our total in-house production capacity will be used to take up new orders from new customers in 2023.

Thirdly, due to the relatively high technical specifications of certain types of private label products, which involve specialized manufacturing procedures, the increase in capacity also provides us with the opportunity to avoid over-reliance on subcontractors and gain better control in terms of product quality and cost of production. We further estimate that orders retrieved from our subcontractors will take up approximately 8.9% of our total in-house production capacity in 2023. Based on the calculation mechanism mentioned in the above, we expect that by 2023, the utilisation rate of our total in-house production facilities will reach approximately 97.9%.

With a view to reduce the space density and create storage space within our existing production building in our Jiangxi Factory, we also plan to relocate eight of the 27 production lines from the existing production building within our Jiangxi Factory to the new production building. As a result, upon the introduction of all 12 production lines in 2022, the new production building and the existing production building in our Jiangxi Factory will have 20 production lines and 19 production lines, respectively. Strengthening our manufacturing capabilities would also allow us the flexibility to adopt our production lines for the production of different types of backpack and luggage products with different production volume to meet the varying demands of our customers.

We intend to utilise approximately HK$11.8 million or 23.8% of the net proceeds from the Share Offer together with our internal funding on enhancing and expanding our manufacturing facilities. For further details, please refer to the paragraphs headed "Enhancement and expansion of in-house production capacity" in this section.

Enhance our information technology management system to improve operational efficiency

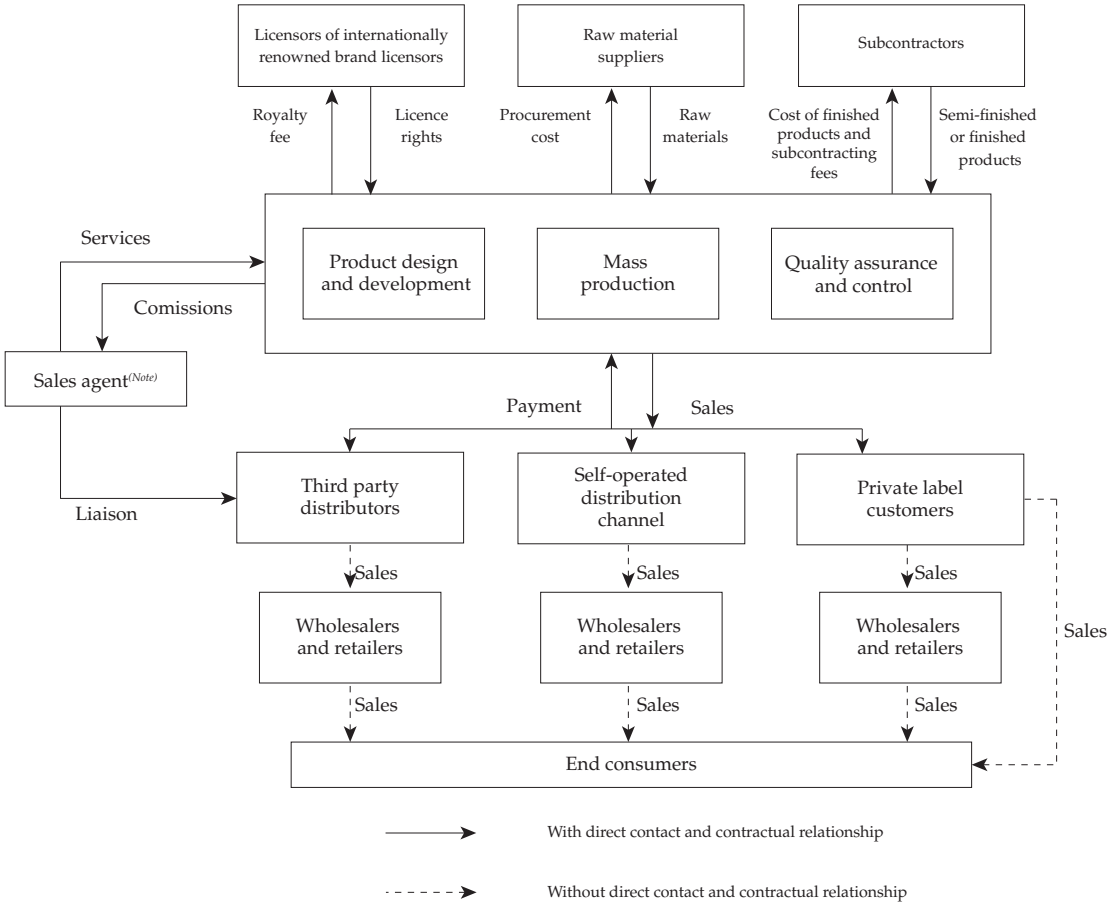
As our business continues to develop, we need to enhance our information technology management system to improve operational efficiency. Therefore, we plan to invest in upgrading and implementing our information technology management system relating to ERP system. We plan to implement, subscribe and purchase licence of the ERP system. The ERP system will allow us to consolidate electronically all major operational information on financial management, financial reporting, production management, customer relationship management and sales management. It is expected that the chain of business operations, from the placing of purchase orders to the financial reporting, will be automated. It will enable us to minimise the risk of human error with lower performance efficiency, thereby allowing us to realise the benefits of greater employee productivity through automation and quicker insights into the performance of our business. Our Directors are of the view that the enhanced data management under the ERP system will provide an easy way of generating reports for our management to get insight into the health of our business. It is expected that the ERP system will enable better reporting and business intelligent capabilities, which will enhance our ability to manage and transform our business moving forward.

We intend to utilise approximately HK$4.6 million or 9.2% of the net proceeds from the Share Offer on enhancing our information technology management system to improve operational efficiency.

OUR BUSINESS MODEL

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. With such business model, we adopt different business models for our two major categories of products, namely, (i) private label products and (ii) branded products covering licensed brand products and proprietary *Ellehammer* brand products. For (i) private label products, we adopt both the business models of OEM and OBM. For (ii) branded products, we adopt ODM for licensed brand products pursuant to the licensing arrangements with internationally renowned brand licensors, including Licensor A, Licensor B and Licensor C; while we adopt OBM for proprietary *Ellehammer* brand products.

For the years ended 31 December 2016, 2017 and 2018, our products were sold to 56, 58 and 59 countries on a direct sales basis, respectively. We rely on both third party distributors and our self-operated distribution channel to distribute our branded products. When taking into account collectively the distribution network of the third party distributors and our self-operated distribution channel, our branded products were sold to a total of 108, 102 and 94 countries for each of the years ended 31 December 2016, 2017 and 2018, respectively. We adopt different branding and sales strategy depending on the product categories and geographical markets. The following diagram illustrates our business model:



Note: We engaged a sales agent to assist in the liaison with our distributors in the U.K. during the Track Record Period and as at the Latest Practicable Date. Further information is set forth in ''Sales and marketing — Sales agent'' in this section.

The following tables below set forth the breakdown of our revenue and gross profit attributable to different product portfolio:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK$'000		*HK$'000*		*HK$'000*	
Private label products	397,732	63.1	429,754	65.1	514,392	75.9
Branded products	232,638	36.9	230,294	34.9	163,072	24.1
– Licensed brand products	108,338	17.2	139,677	21.2	139,158	20.6
– *Ellehammer* brand products	124,300	19.7	90,617	13.7	23,914	3.5
Total	630,370	100.0	660,048	100.0	677,464	100.0

	For the year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Private label products	47,670	12.0	47,887	11.1	75,572	14.7
Branded products	75,409	32.4	93,015	40.4	79,328	48.6
– Licensed brand products	47,954	44.3	68,390	49.0	72,536	52.1
– *Ellehammer* brand products	27,455	22.1	24,625	27.2	6,792	28.4
Total	123,079	19.5	140,902	21.3	154,900	22.9

Private label products

Private label products are produced and sold under both business models of OEM or ODM to the brand owners or their licensees. Based on our Directors' belief, these customers usually look for products which fit in their brand philosophy. Our OEM customers would provide us with the specific design and our product design and development team would discuss with our customers for possible enhancements and improvements on the design. Whereas for our ODM customers, our customers would provide us with a general idea or concept for the type of products, product features or characteristics that they want and our product design and development team would design the products that fit into our customers' requirements. Our customers would have the final decision on product design and specifications such as fabric, colours and packaging. Further details are set forth in the paragraph headed "Product design and development" in this section.

Pursuant to the framework agreements entered into with our private label customers, our customers would place purchase orders with us during the contract period. Set out below are the typical salient terms of such framework agreements which are subsisting as at the Latest Practicable Date:

Duration	:	Three years
Our major obligations	:	We shall manufacture the private label products in accordance with the purchase orders placed pursuant to the framework agreement and ensure the private label products comply with the quality standard requirements of our private label customers.
Intellectual property rights	:	The design and related intellectual property rights of the private label products shall be owned by our private label customers.

Upon our customers' approval of the product samples and agreement on the details of the manufacturing arrangement, we will commence manufacturing the private label products. Our private label customers would arrange for distribution of the finished products once we deliver the finished products to them. Our Directors consider that private label products allow us to leverage our knowledge of consumer trends to design and manufacture products that are responsive to customer preferences in the various markets in which they are sold.

Branded products

Our branded products include products branded under our proprietary *Ellehammer* brand as well as the licensed brands. We design, manufacture and distribute the licensed brand products under the business model of ODM while we design, manufacture, market and distribute our *Ellehammer* brand products under our OBM business. We distribute the branded products under our extensive sales network comprising third party distributors and our self-operated distribution channel.

Licensed brands products

During the Track Record Period, we had licensing arrangements with four brand licensors for the design, development, manufacturing and distribution of backpack and luggage under their brands, respectively. As at the Latest Practicable Date, the licensing arrangements with three of these brand licensors were in force. We did not renew the licensing agreement with one of the brand licensors in 2017 upon its expiry because our Directors consider that the restructuring plan involving the brand positioning of the brand licensor at the material time was not in line with our business strategy. The targeted territories, product categories and distribution channels of these licensed brand products are set forth in the respective licensing agreements.

Under the licensing arrangements, the design of our products is subject to approval by the brand licensors. The licensing agreements provide that intellectual property rights concerning the final products that we produce belong to the licensors. For licensed brand products, the royalty fees for the year are measured in terms of the actual volume of product sold over the minimum purchase requirements. In addition to the minimum royalty fee as stipulated under the licensing agreements, we also incurred royalty fees of approximately HK$2.2 million, HK$4.5 million and HK$1.7 million for the years ended 31 December 2016, 2017 and 2018, respectively. The higher royalty fees incurred for the year ended 31 December 2017 was mainly due to the increase in sales for Licensor A's products. For the year ended 31 December 2018, the decrease in royalty fees was mainly due to a higher minimum royalty requirement imposed by Licensor A, together with a decrease in revenue generated from Licensor A's products during the year. Although the licensing arrangement involves payment obligation of a minimum royalty fee to the licensors, we believe that the revenue brought by the sales of the licensed brand products on a large scale would outweigh the royalty payments and/or the cost of building our brand by increasing our economies of scale and expanding our global sales distribution network.

Under the licensing agreements with Licensor A and Licensor C, we are granted with the right to design, manufacture and sell the licensed brand products on a global basis. For the licensing agreement with Licensor B, as the geographical coverage is a non-global basis, if we intend to develop into new markets not covered under the licensing agreement, we are required to obtain the approval from Licensor B before expanding into such new geographical market. For the new geographical markets that we are interested to develop, we carry out market research to understand the local market trends and grasp local consumer's preference through conducting site visit at the retail stores which sell the licensor's products.

Save for Licensor C which requires us to sell the licensed brand products in the stores designated by them, we leverage on our established network of third party distributors and our self-operated distribution channel to distribute the licensed brand products. We leverage on the promotional and advertising activities carried out by the brand licensors in the promotion of their branded products. We are also required to spend a fixed percentage of our revenue on the implementation of sales and marketing promotion of the licensed brand products. The marketing materials prepared by us have to be approved by the brand licensors.

We believe that with our brand management expertise, established distribution network coupled with our regular review of the sales performance of our licensed brand products and adjustment of our product mix in response to market conditions, we believe that the present brand management policy enables us to maintain flexibility in managing our licensed brand portfolio, which in turn consolidates our strength and enhances our ability to obtain new licence rights.

Licensing arrangements with licensors

Set out below are the details of the licensing agreement with each of the licensors subsisting as at the Latest Practicable Date:

	Licensing agreement with Licensor A	Licensing agreement with Licensor B *(Note 1)*	Licensing agreement with Licensor C
Main scope of business of licensors	Manufacture of construction and mining equipment	Manufacture of plastic interlocking bricks	Operation of a worldwide chain of music theme restaurants
Years of business relationship	Eight years	14 years	One year
Revenue generated during the Track Record Period	2016: Approximately HK$63.5 million 2017: Approximately HK$79.3 million 2018: Approximately HK$72.4 million	2016: Approximately HK$36.1 million 2017: Approximately HK$56.4 million 2018: Approximately HK$66.4 million	Nil *(Note 3)* Nil *(Note 3)* Nil *(Note 3)*
Gross profit during the Track Record Period	2016: Approximately HK$22.9 million 2017: Approximately HK$33.3 million 2018: Approximately HK$36.7 million	2016: Approximately HK$21.5 million 2017: Approximately HK$33.3 million 2018: Approximately HK$35.7 million	Nil *(Note 3)* Nil *(Note 3)* Nil *(Note 3)*
Gross profit margin during the Track Record Period	2016: Approximately 36.1% 2017: Approximately 42.0% 2018: Approximately 50.7%	2016: Approximately 59.6% 2017: Approximately 59.1% 2018: Approximately 53.8%	Nil *(Note 3)* Nil *(Note 3)* Nil *(Note 3)*

	Licensing agreement with Licensor A	Licensing agreement with Licensor B[(Note 1)]	Licensing agreement with Licensor C
Duration of the latest licences granted	From 1 March 2016 to 31 December 2021	For bags: 1 January 2017 to 31 December 2020 (with different theme lines subject to different licence periods) For luggage: 1 January 2018 to 31 December 2023[(Note 2)] Licensor B and our Group shall evaluate the collaboration on or before 31 December 2020 and negotiate the terms of a renewal or terminate the licensing agreement.	From 21 September 2017 to 31 December 2020
Licensed intellectual properties	Use of trademarks, copyrights and logos	Use of trademarks, copyrights, logos and depictions of artwork of the underlying theme lines	Use of trademarks, copyrights and logos

	Licensing agreement with Licensor A	Licensing agreement with Licensor B[(Note 1)]	Licensing agreement with Licensor C
Product categories	Luggage, bags, cases, holders, travel gears, pens, belts, umbrella, office products, computer products, collectibles, flashlights, containers and coolers	For bags: school bags, school bag accessories (lunch bag, pencil case, water bottle, lunch box and wallet, which are only to be sold and merchandised with the bags), backpacks, duffle bags, tablet bags, trolley backpacks, laptop sleeves For luggage: luggage (trolleys, spinners, and suitcases), which can be soft case, hard case or/and moulded and travel accessories such as luggage covers/sleeves, luggage tags, play cases and toy bags. Travel sets (could include for example suitcase, backpack, toiletry bag, pouch)	Bags, duffel bags, suitcases, luggage, backpacks, wallets, pencil cases and lunch boxes

	Licensing agreement with Licensor A	Licensing agreement with Licensor B[(Note 1)]	Licensing agreement with Licensor C
Geographical coverage	Global	For bags and luggage: Certain countries in Europe, Hong Kong, Russia, Turkey, Saudi Arabia, United Arab Emirates, Singapore, South Korea, Japan, China (with different countries being licensed for different periods)	Global but excluding the discount stores specified in the agreement
Royalty rates and its determination basis	A fixed percentage of the total factory cost A guarantee minimum royalty fee is payable during the term of the agreement.	A fixed percentage range of the net sales A guarantee minimum royalty fee is payable during the term of the agreement	A fixed percentage of the net factory cost A guarantee minimum royalty fee is payable during the term of the agreement.
Payment term	Quarterly	Quarterly	Specified intervals between four months to seven months
Rights and obligations of the parties	• Our Group is required to follow the guidance provided by the licensors when using the licensed intellectual properties on products • The licensors have rights to examine and audit our books of records of the transactions related to the licensing agreements		
Designated distribution channels	No	No	Yes

	Licensing agreement with Licensor A	Licensing agreement with Licensor B[(Note 1)]	Licensing agreement with Licensor C
Promotion commitment	We are required to spend a fixed percentage of wholesale sales on promotion.	We are required to spend a fixed percentage of actual sales on promotion.	No specific provision for promotion commitment
Conditions and notice period of termination	The licensor can terminate the agreement immediately in case of material breaches. In the event of immaterial breaches, the licensor can terminate the agreement if we cannot remedy the breaches within the time period specified by the licensor.	The licensor can terminate the agreement immediately in case of material breaches. In the event the breach is capable of remedy, the licensor can terminate the agreement if we cannot remedy the breach within 30 days after written notice has been given by the licensor.	The licensor may terminate the agreement if we cannot settle any overdue amount within 10 days after written notice has been given by the licensor. The licensor may terminate the agreement immediately for breaches of any other terms of the agreement.
Renewal of agreement	We can request for a renewal on or after 1 June of each contract year and the licensor may elect to renew and/or extend the agreement no later than 60 days following receipt of our request.	We can negotiate for renewal within one year before the expiry date.	If we have reached the total minimum guarantee of the agreement, the parties may enter into a new two-year agreement in writing.

Note 1: For the licensing arrangements with Licensor B, as the intellectual property rights of one of the theme lines are owned by a leading diversified international family entertainment and media enterprise whose shares are listed on New York Stock Exchange, we have also entered into a separate agreement with it, which granted us the right to use such intellectual property rights.

Note 2: The licensing agreement with Licensor B authorises us to design and develop luggage products once the licence period for luggage products commences from 1 January 2018 but the luggage products would only be launched in 2019 after approval of the sample products has been granted by Licensor B.

Note 3: The licensing agreement with Licensor C commenced on 21 September 2017. During the Track Record Period, we were still in the process of designing and developing the licensed brand products of Licensor C. Therefore, there was no revenue attributable to the licensing agreement with Licensor C during the Track Record Period. As at the Latest Practicable Date, we were in the process of preparing the marketing materials and product samples for the product styles approved by Licensor C. The first collection of the licensed brand products for Licensor C and the sales of the licensed brand products for Licensor C are expected to commence later in 2019.

Ellehammer brand products

In 2012, leveraging on our experience in designing and manufacturing backpack and luggage for our customers and the licensed brands, we launched our proprietary *Ellehammer* brand, which offers backpack and luggage products targeting at the business and travel segments. We believe the *Ellehammer* brand products have gained reputation for the use of durable materials.

We sell the *Ellehammer* brand products through third party distributors and our self-operated distribution channel. We have established the foothold for the *Ellehammer* brand products by penetrating into different countries. During the Track Record Period, the *Ellehammer* brand products were sold in over 20 countries including the Netherlands and Germany.

As at the Latest Practicable Date, our Group had 15 registered trademarks for the *Ellehammer* brand in 12 countries, namely U.S., Russia, South Africa, Mexico, Panama, Peru, Brazil, Chile, United Arab Emirates, Saudi Arabia, Isarel and Canada. As at the Latest Practicable Date, certain registered trademarks for the *Ellehammer* brand in APAC region are held by a business partner of our Group, which is an independent third party and granted our Group the right to use these trademarks with royalties payment since April 2015. For the year ended 31 December 2016, there was no revenue derived from the sale of the *Ellehammer* brand products in APAC region as we sold and delivered in the year ended 31 December 2014 all the *Ellehammer* brand products ordered by the retail marketing company for the relevant marketing campaigns to be launched in the following years. For the year ended 31 December 2017, the sales of the *Ellehammer* brand products in APAC region amounted to approximately HK$4.6 million, accounting for approximately 5.1% of the revenue derived from the sales of all the *Ellehammer* brand products worldwide during the same year. For the year ended 31 December 2017, the payment of royalties for the use of the *Ellehammer* brand trademarks in APAC region amounted to HK$134,000. For the year ended 31 December 2018, since there was no marketing campaign launched in APAC region, no revenue was recognised in this year.

We set out below pictures of some examples of our *Ellehammer* brand products:

Spinner luggage

Expandable Trolley

Backpack

Computer bag

Commuter laptop bag

Laptop bag

Laptop sleeve

Backpack and messenger convertible

Medium duffel bag

Waist bag

Medium Toiletry bag

OUR PRODUCTS

Our backpack and luggage products catered to kids, teens, sports, leisure, business, travel and technical segments. The following table sets forth our revenue and sales quantity by product category for the years indicated:

	For the year ended 31 December								
	2016			2017			2018		
	Revenue	% of total	Sales quantity	Revenue	% of total	Sales quantity	Revenue	% of total	Sales quantity
	HK$'000		*('000 pieces)*	*HK$'000*		*('000 pieces)*	*HK$'000*		*('000 pieces)*
Backpack and others	349,853	55.5	9,547	389,832	59.1	10,894	381,905	56.4	9,232
Luggage	280,517	44.5	2,549	270,216	40.9	2,547	295,559	43.6	3,019
Total	630,370	100.0	12,096	660,048	100.0	13,441	677,464	100.0	12,251

The following table sets forth the gross profit and gross profit margin by product category for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Backpack and others	87,625	25.0	101,248	26.0	107,361	28.1
Luggage	35,454	12.6	39,654	14.7	47,539	16.1
Total	123,079	19.5	140,902	21.3	154,900	22.9

Backpack and others

Backpacks refer to bags with one or two over the shoulder straps used to carry a load on one's back. The backpacks we manufacture are catered for use in different occasions, including school bags for kids and teenagers, outdoor backpacks for sporting activities, business backpacks with storage specifically for laptops and backpacks for leisure purpose.

Apart from backpacks, our product range also include other types of bags including tote bags, duffel bags, cross-body bags and messenger bags catered mainly for the casual and travel segments. We also manufacture bags with special shapes and functions based on the demand of our customers such as medical bags, camera bags and wallets.

Luggage

Our luggage products are further categorised by the material from which they are made of, with the three principal categories being hard-side, soft-side and hybrid luggage.

Hard-side luggage is inflexible and solid. It is usually made of polycarbonate and does not offer external expansion or pockets. Its hard shell protects the contents of the case and is therefore suitable for packing relatively fragile items.

Soft-side luggage tends to be lighter, more flexible and expandable than hard-side luggage. It does not have a hard exterior and offers less protection than hard-side luggage. Nevertheless, a lot of soft-sided luggage are not entirely flexible and preserve their soft-side look despite having reinforced shells just beneath the exterior fabric.

Hybrid luggage is constructed from a hard-side case with a soft-side exterior attached to it, giving the product the rigidity of a hard-side in combination with the external pockets of a soft-side. This also results in increased lightness, strength and flexibility.

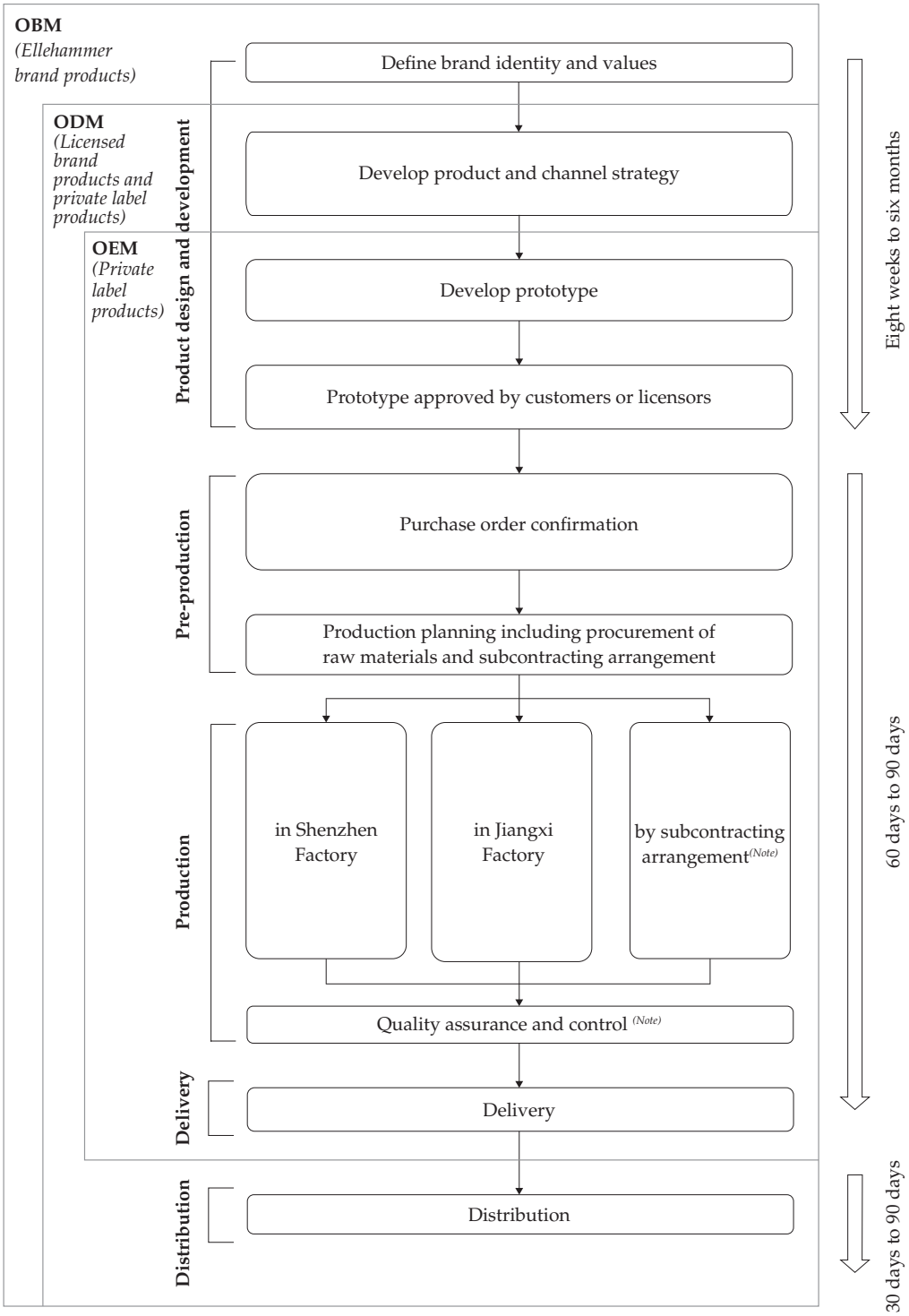
Product life cycle and seasonality

Our Directors consider that our products are not fast-moving and have a relatively long product life cycle.

In general, we experience higher sales from April to May, July and December. Our Directors believe that the higher sales is due to our customers' increase in demand to prepare for expected increase in retail sales during the school summer holiday and festive seasons such as Christmas and Easter holiday.

BUSINESS PROCESS

The following chart illustrates our typical business process:



Note: Goods manufactured by our subcontractors are inspected for quality control after delivery to our customers.

Product design and development

We are committed to create new concepts and design. These efforts have contributed to our ability to continuously develop and launch new products. The procedures during the product design and development stage varies depending on whether the product is a OBM, ODM or OEM product. During the prototype development stage, we select the appropriate raw material for the new product and modify the design as necessary to ensure the feasibility of production. Generally, it takes eight weeks to six months to turn a design concept into a prototype and the time may be shortened if the customers have specific timeline to adhere to.

For our OEM products, our customers provide us with a specific design, which will be converted into prototypes. During the prototype development process, we may provide our advice on the design and discuss with our customers for possible enhancements and improvements.

For the OBM products, i.e. the *Ellehammer* brand products, we initiate the design of new products which fit into the brand identity and values whereas for the ODM products, we initiate the design of new products based on the general idea or concept provided by our customers. Our design of the licensed brand products is subject to the approval of the licensors. Before converting our design into prototypes, we develop the product and channel strategy for the new OBM or ODM product which we are also responsible for the product distribution. Based on the technical specifications of the OBM or ODM product, we formulate the product and channel strategy including the recommended retail price, the timeline for product launch, the distribution channels through which the product will be sold and sales targets for distributors. Our product and channel strategy facilitates our decision-making process during the prototype development stage.

Pre-production

Upon receipt of purchase orders from our customers, we commence pre-production planning on procurement of raw material and subcontracting arrangement. We also perform cost analysis to ensure the mass manufacturing process would be conducted in a cost-efficient way. We will consider whether to manufacture the products in-house or outsource part or the entire production process to subcontractors taking into account various factors including the technical specifications of the products, cost analysis, production schedule, our internal production capacity and the types of production machinery and equipment required. We generally purchase raw materials on a back-to-back basis upon receipt of purchase orders from customers. We also purchase raw materials as buffer stock for particular types of products that we receive stable monthly purchase orders. We provide the raw materials or the semi-finished products to our subcontractors undertaking part of the production process. For our subcontractors undertaking the entire production process, we would require them to order the raw materials needed from the suppliers designated by us.

Production

Our supply chain team design the production process which sets out steps for manufacturing workers in our Shenzhen Factory and Jiangxi Factory to follow. Some of the raw materials are pre-processed before being passed to the production lines for sewing and assembly according to the relevant specifications. Depending on the specifications of the customers, logo applications and silk screen printing will be done on the cut fabric before sewing. On the production lines, different components, including cut, matched and processed raw material and other components are assembled together to make a finished product.

We conduct stringent quality assurance and control on raw materials, during the production process and on the finished goods, whether or not the products are manufactured in-house or by our subcontractors. Further details on our quality assurance and control are set forth in the paragraphs headed "Quality assurance and control" in this section.

Delivery

Our shipping department is responsible for arranging the delivery of the finished products to our customers. The production lead time from pre-production to delivery generally takes 60 days to 90 days depending on the availability of the relevant raw materials, complexity and specifications of the products.

Distribution

For the private label products, our private label customers arrange for the distribution of the products after we deliver the finished products to them. For licensed brand and *Ellehammer* brand products, we distribute the products under our extensive sales network comprising third party distributors and our self-operated distribution channel.

PRODUCTION FACILITIES

Our production facilities include our Shenzhen Factory and Jiangxi Factory in the PRC, which has three and 27 production lines as at the Latest Practicable Date, respectively. The scale of production in our Shenzhen Factory is smaller primarily because the cost of labour in Shenzhen is higher than Jiangxi. As at the Latest Practicable date, we outsourced the production of hard side luggage to our subcontractors as we had not invested in such production machinery.

Shenzhen Factory

Our Shenzhen Factory specialises in manufacturing soft-side and hybrid luggage. We began manufacturing operations in Shenzhen in 2004 and our production facility were relocated to our current factory premises in 2016. As at the Latest Practicable Date, our Shenzhen Factory had three production lines and employed 170 employees.

Jiangxi Factory

Our Jiangxi Factory specialises in manufacturing soft-side and hybrid luggage, backpacks, duffel bags and medical bags. We began manufacturing operations in Jiangxi in 2004 with the intention to shift our primary manufacturing base to Jiangxi with lower cost of labour than in Shenzhen. As at the Latest Practicable Date, our Jiangxi Factory had 27 production lines and employed 683 staff.

Major machinery and equipment

As at the Latest Practicable Date, various production equipment such as sewing machines, computerised sewing machines, die cutting machines and riveting machines were in place which cater for different stages of the production process. Our major machines and equipment have an estimated useful life of three years. The table below sets forth the quantity of the major production equipment used in our production process as at the Latest Practicable Date:

Machines	Quantity in our Shenzhen Factory	Quantity in our Jiangxi Factory	Total quantity
Sewing machines	117	1,220	1,337
Computerised sewing machines	28	141	169
Die cutting machines	3	16	19
Riveting machines	22	53	75

Production capacity

The following table sets forth the estimated maximum production capacity, actual production volume and average utilisation rate of our in-house production facilities during the Track Record Period:

	For the year ended 31 December								
	2016			2017			2018		
Production facilities	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*	Estimated maximum production capacity *(Note 1)*	Actual production volume	Utilisation rate *(Note 2)*
	(pieces)	*(pieces)*	*(%)*	*(pieces)*	*(pieces)*	*(%)*	*(pieces)*	*(pieces)*	*(%)*
Shenzhen Factory	239,700	153,054	63.9	237,000	212,670	89.7	157,000	141,256	90.0
Jiangxi Factory	6,821,100	6,325,039	92.7	7,434,000	7,254,478	97.6	8,438,000	8,231,737	97.6
Total	7,060,800	6,478,093	91.7	7,671,000	7,467,148	97.3	8,595,000	8,372,993	97.4

Notes:

(1) Estimated maximum production capacity for a given year is calculated by multiplying the designed monthly production capacity (based on the assumption of 23.5 planned production days per month) by the total number of months in the given year.

(2) Utilisation rate for a given year is calculated by dividing the actual production volume for the year by the estimated maximum production capacity for the year.

The estimated maximum production capacity for the year ended 31 December 2017 increased approximately 8.6% as compared to the year ended 31 December 2016; whereas the estimated maximum production capacity for the year ended 31 December 2018 increased approximately 12.0% as compared to the year ended 31 December 2017. The increase was primarily due to our acquisition of more automated machinery with higher productivity in light of the difficulty in hiring sufficient skilled sewing workers.

The actual production volume for the year ended 31 December 2017 increased approximately 15.3% as compared to the year ended 31 December 2016; whereas the actual production volume for the year ended 31 December 2018 increased approximately 12.1% as compared to the year ended 31 December 2017. The increase was primarily due to the full-year impact of the incentive scheme implemented in 2016 and the acquisition of more computerised sewing machines with higher productivity.

The utilisation rate of our production facilities increased from 91.7% for the year ended 31 December 2016 to 97.3% for the year ended 31 December 2017 and further to 97.4% for the year ended 31 December 2018 because the actual production volume increased at a faster pace than the estimated maximum production capacity.

Production equipment

Majority of the production equipment is owned by our Group. For the years ended 31 December 2016 and 2017, we have also leased certain computerised sewing machines from independent third parties. During the year ended 31 December 2018, we ceased leasing such machines from independent third parties. Our Group has implemented policies for annual and regular inspection and maintenance of our production equipment.

Outsourced production

During the Track Record Period, we also relied on our subcontractors for undertaking the entire or part of the production process. Our subcontractors are independent factories mainly located mainly in the PRC, Bangladesh and Vietnam. The revenue attributable to outsourced production for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK$339.4 million, HK$318.9 million and HK$310.4 million, accounting for approximately 53.8%, 48.3% and 45.8% of our total revenue during the same years, respectively. Further details of our subcontractors are set forth in the paragraphs headed "Our suppliers — Our subcontractors" in this prospectus.

Enhancement and expansion of in-house production capacity

As set forth in the paragraphs headed "Our business strategies — Enhance and expand our manufacturing capabilities" in this section, we plan to enhance our machinery and equipment to achieve a higher automation level in our production process and to expand our manufacturing capabilities. The overall utilisation rates of the production facilities in both Shenzhen Factory and Jiangxi Factory remained on a high level throughout the Track Record Period and the production facilities in our Jiangxi Factory had been approaching full utilisation for the years ended 31 December 2017 and 2018. We intend to construct a new production building in our Jiangxi Factory and progressively set up 12 additional production lines in this new production building in two phases, with the first eight production lines commencing service in 2021 and the remaining four production lines commencing service in 2022.

Our production enhancement and expansion plans have been determined on the basis of, among other things, (i) the estimated market supply and demand for our products; (ii) the utilisation rates of our existing in-house manufacturing facilities; (iii) the cost of manufacturing our products in-house and through outsourced production; (iv) our extent of reliance on our subcontractors; (v) the cost of implementing our expansion plan; and (vi) our available capital resources.

We consider our production enhancement and expansion plan to be justified and reasonable based on the following commercial and operational rationales.

Commercial rationales

- *Cost savings brought along by in-house production facilities*

  Our Directors believe that our Group will be able to enhance cost savings through retrieving certain production orders from our current subcontractors since subcontractors generally charge a mark-up above cost for the services they provide. Therefore, by manufacturing in-house, our Group will be able to achieve cost savings by eliminating the subcontractor mark-up from the manufacturing process, and thus reduce our cost of sales. By retrieving some of the current outsourced orders to produce in-house, we will be able to improve our profit margins and gain better control in terms of product quality and cost of production. According to the current arrangements with our subcontractors, the margin set by the subcontractors in general ranges from 7.8% to 12.4%. Our Directors therefore consider that our Group will be able to gain at least 7.8% of additional margin by manufacturing in-house, which would lead to an estimated minimum annual cost savings of approximately HK$9.6 million for the year ending 31 December 2021, taking into account of the first eight production lines commencing service in 2021 when we implement the expansion plan.

Furthermore, we will be able to minimise labour costs and increase our production efficiency. According to the CIC Report, it is expected that the subcontracting fees will continue to increase in the long run alongside with the growing retail sales of backpack and luggage products during 2018 to 2023. We intend to implement automation in our production processes by replacing certain of our existing machinery and equipment with various types of computerized sewing machines, which will help to reduce our production cost over short-to-mid term. We believe that this will help us reduce our production cost over short-to-mid-term as we will be able to maintain fewer workers for each production line.

- *Substantial demands from customers*

  The utilisation rate of our Group's in-house production facilities reached approximately 91.7%, 97.3% and 97.4% for the years ended 31 December 2016, 2017 and 2018, respectively. Given the revenue for the year ended 31 December 2018 of approximately HK$677.5 million and our Group was only able to manufacture approximately half of the orders with our own in-house production facilities, our current in-house production facilities are insufficient to cater the increasing demand from our current customers and potential new customers prior to an expansion in production capacity. Our Directors further believe that maintaining a desirable in-house to outsourced production ratio is important for our sustainable development. If our Group's manufacturing capabilities are not expanded in line with the anticipated increasing demand for our products, it would be difficult for our Group to manage the risks associated with over-reliance on subcontractors.

Operational rationales

- *Technical knowhow in relation to production being a distinctive feature of our Group*

  Our Directors consider that our in-house manufacturing capabilities had always been part of our core competitive strength as one of the established backpack and luggage manufacturers capable of delivering solutions covering the full value chain of OEM, ODM and OBM services. We therefore regard that investment on our production machinery and equipment is necessary to keep us abreast of the latest production technology and development in the backpack and luggage industry.

  With nearly three decades of operations, our Group's business model has evolved from a traditional OEM to one that is a combination of OEM, ODM and OBM. We intend to continue to intensify our focus on the development of licensed brand products and extend the business by taking more orders from brand licensors. As at the Latest Practicable Date, we have entered into four licensing agreements with three internationally renowned brand licensors. Our Directors are of the view that there has been a significant synergy effect created between private label products and licensed brand products since brand licensors take into account product quality, production capability and design ability while choosing their licensees; and by manufacturing private label products in-house, we have equipped ourselves with technical knowhow, industry knowledge and strong corporate image which attract further business opportunities.

Our Directors believe that it is necessary for our Group to maintain a solid manufacturing base to attract new licensors and that without our Group's solid foundation in operating our own in-house production facilities, we would not be able to obtain licensing arrangements, which give a relatively higher profit margin than that of private label products.

- *High technical specifications of products manufactured by our Group*

  There are certain types of private label products which have relatively higher technical specifications that involve more complicated manufacturing procedures. Such private label products include OEM products for three of our top five customers, namely Customer A, Customer C and Customer E. Since the products for these three customers are subject to compliance audits performed by third-party auditors to verify its continued compliance with the relevant customer's standards, we manufacture these private label products with our in-house production facilities in order to exercise closer and better control on our production processes and quality. For the years ended 31 December 2016, 2017 and 2018, highly technical products manufactured for Customer A, Customer C and Customer E represented approximately 95.6%, 96.3% and 96.7% of our total production volume, respectively.

- *Avoidance of over-reliance on subcontractors*

  Our Directors believe that the business decision to avoid over-reliance on subcontractors is based on operational rationale which is beyond cost issues. Outsourcing the entire or part of the production process to subcontractors renders our Group vulnerable to risks associated with over-reliance on subcontractors. The revenue attributable to outsourced production for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK$339.4 million, HK$318.9 million and HK$310.4 million, accounting for approximately 53.8%, 48.3% and 45.8% of our total revenue during the same years, respectively. Our Directors consider this to be a desirable in-house to outsourced production ratio for our Group's sustainable development. Our Directors believe that maintaining a desirable in-house to outsourced production ratio is important for our Group's sustainable development since the participants in the manufacturing industry compete on, among other things, the ability to meet delivery commitments to customers, product quality, product variety and price. Furthermore, customers are continuously demanding better quality, shorter lead times and lower prices from their suppliers. As a result, the future success of our Group will depend on our ability to maintain an efficient, timely and cost effective service while delivering high quality products.

  Subcontractors may not be able to manufacture the orders in time or the products they deliver may not be up to standard, which will cause our Group to be unable to meet delivery commitments to our customers during the subcontractors' peak seasons such as the period before Chinese New Year. Furthermore, these subcontractors are not obliged to give priority to our Group in allocating their manufacturing capacity. Therefore, manufacturing with our own in-house production facilities allows our Group to exercise better control over the production process and reduce our vulnerability to the risks of increase in subcontracting fees or failure to secure subcontractors at all.

Subcontractors usually maintain a high minimum order quantity, so the product variety our Group can introduce is limited by the imposition of such minimum order quantity requirement. With our own in-house production facilities, we can enjoy greater flexibility in allocating resources and is not subject to any minimum quantity requirement. We can better facilitate and respond to our customers' changing needs by taking smaller orders and allowing more frequent orders. If our manufacturing capabilities are not expanded in line with the anticipated increasing demand for our products, it would be difficult for us to manage the risks associated with over-reliance on our subcontractors.

- *The necessity to protect intellectual properties licensed to the Group*

  Upon Listing, we intend to utilise approximately HK$8.1 million or 16.3% of the net proceeds from the Share Offer on intensifying our design and development efforts on the licensed brand products. In particular, we plan to develop and launch a new collection of bag products under the brand of Licensor B for distribution in the PRC market and a new collection of luggage products for distribution in the global market.

  Counterfeiting and imitation of popular bag and luggage products occur in the industry from time to time. Our Group can exercise limited control over subcontractors which clone and manufacture counterfeits of our licensed products. Since the introduction of the new collection of Licensor B bag products in the PRC market is one of our longterm development plans, protecting intellectual property rights is particularly important to us in our expansion in the PRC market. Our Directors consider that producing licensed products with the Group's in-house production facilities instead of subcontractors allow us to better protect the intellectual properties licensed to our Group.

For the years ended 31 December 2016, 2017 and 2018, the gross profit margins of our private label products manufactured in-house were approximately 11.0%, 9.6% and 12.1%, respectively. We engage subcontractors to manufacture branded products and also some private label products. The gross profit margins of our products manufactured under outsourced production were approximately 26.8%, 33.9% and 35.5% for the years ended 31 December 2016, 2017 and 2018, respectively.

The difference in gross profit margins of in-house and outsourced production is mainly attributable to the difference in nature between private label products and licensed brand products, as well as the difference in coverage along the supply chain for private label products and licensed brand products. For private label products, we manufacture in accordance with the specifications of the brand owners and sell the products to brand owners. Our profit margin for private label products includes only manufacturing margin. For licensed brand products, we design the products with reference to the general concepts provided by the brand licensors, manufacture the products and distribute the products under the name of the brand licensors. Since we take inventory risk, our profit margin for licensed brand products includes brand premium margin and distribution margin on top of manufacturing margin. Therefore, we have achieved high gross profit margin on licensed brand products during the Track Record Period. Further details are set forth in section headed "Financial information — Results of operation — Gross profit and gross profit margin" in this prospectus.

Gross profit margin is only one of the factors that we take into account when considering whether to manufacture in-house or outsource the part of the entire production process, which is a decision made based on a balance of various factors including the technical specification of the products, cost analysis, production schedule, our internal production capacity and the types of production machinery and equipment required. Our Directors consider that our production enhancement and expansion plan will enable us to strike the right balance between in-house and outsourced production and therefore enhance our competitiveness and ability to continue to attract and retain customers and licensors.

We cannot assure you that our expansion plan will proceed as planned. Further details on the risks relating to our expansion plan are set forth in the section headed "Risk Factors — Our production enhancement and expansion plan may not be successful" in this prospectus.

SALES AND MARKETING

The following table sets out our revenue breakdown by geographical regions during the Track Record Period. During the years ended 31 December 2016, 2017 and 2018, our private label and branded products were sold to 56, 58 and 59 countries on a direct sales basis, respectively. The revenue is considered as deriving from a particular geographical region based on the location of the private label customer or the distributor, wholesale or retailer is based.

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
North America *(Note 1)*	265,535	42.1	285,820	43.3	327,902	48.4
Europe *(Note 2)*	248,699	39.5	250,338	37.9	230,979	34.1
The PRC	42,423	6.7	48,833	7.4	47,196	7.0
Middle East *(Note 3)*	36,543	5.8	28,855	4.4	20,710	3.0
Others *(Note 4)*	37,170	5.9	46,202	7.0	50,677	7.5
Total	630,370	100.0	660,048	100.0	677,464	100.0

Notes:

1. North America includes the U.S., Canada and Mexico.
2. Europe mainly includes the Netherlands, Germany, Denmark and France.
3. Middle East mainly includes United Arab Emirates and Saudi Arabia.
4. Others mainly include Singapore, South Korea, Australia, Philippines, Peru and Chile.

The following table sets out the breakdown of our revenue, gross profit and gross profit margin by product portfolio and distribution channel during the Track Record Period:

	For the year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin	Revenue	Percentage of total	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label products	397,732	63.1	47,670	12.0	429,754	65.1	47,887	11.1	514,392	75.9	75,572	14.7
Branded products												
– Licensed brand products	108,338	17.2	47,954	44.3	139,677	21.2	68,390	49.0	139,158	20.6	72,536	52.1
• Third party distributors	74,501	11.8	27,280	36.6	92,181	14.0	38,524	41.8	82,489	12.2	44,288	53.7
• Third party wholesalers and retailers	–	–	–	–	–	–	–	–	116	–	68	58.6
• Self-operated distribution channel (Note)	33,837	5.4	20,674	61.1	47,496	7.2	29,866	62.9	56,553	8.4	28,180	49.8
– *Ellehammer* brand products	124,300	19.7	27,455	22.1	90,617	13.7	24,625	27.2	23,914	3.5	6,792	28.4
• Third party distributors	121,985	19.3	26,939	22.1	89,887	13.6	24,467	27.2	20,761	3.1	5,628	27.1
• Self-operated distribution channel (Note)	2,315	0.4	516	22.3	730	0.1	158	21.6	3,153	0.4	1,164	36.9
Subtotal	232,638	36.9	75,409	32.4	230,294	34.9	93,015	40.4	163,072	24.1	79,328	48.6
Total	630,370	100.0	123,079	19.5	660,048	100.0	140,902	21.3	677,464	100.0	154,900	22.9

Note: Our self-operated distribution channel is operated by BBM APS and BBM GMBH.

Private label products

For the private label products, after we deliver the finished products to them, our customers carry out their own distribution activities for the private label products. In this regard, we directly sell the private label products to our private label customers. We maintain regular contact with our private label customers to maintain business relationship with them. Further details about our marketing activities are set forth in the paragraphs headed "Marketing" below.

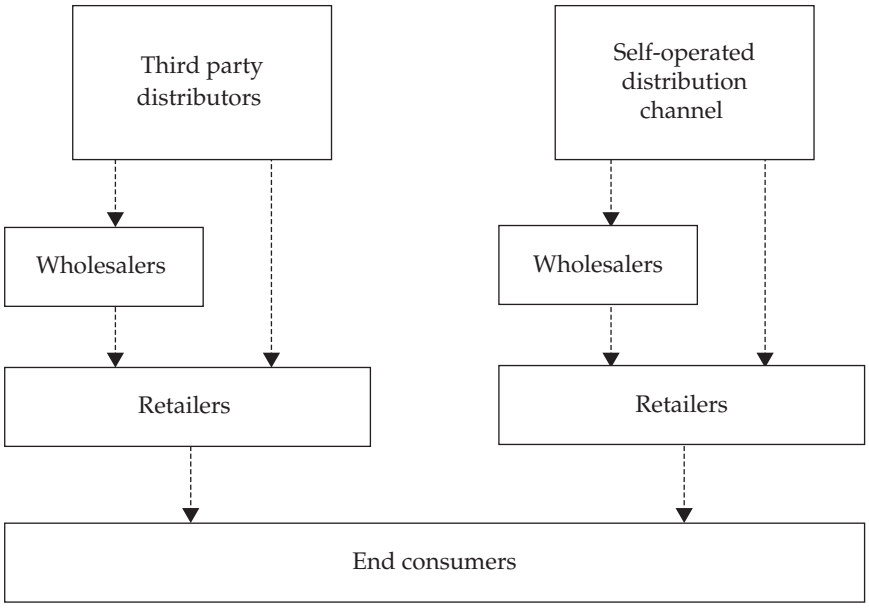
Branded products

We distribute the branded products under our extensive sales network comprising third party distributors and our self-operated distribution channel. When taking into account collectively the distribution network of the third party distributors and our self-operated distribution channel, our branded products were sold to a total of 108, 102 and 94 countries for each of the years ended 31 December 2016, 2017 and 2018. With our extensive sales network, we believe that we can maximise the market exposure of our branded products and capture a wider range of customers from different markets.

Third party distributors

Our hybrid marketing system

We adopt a hybrid marketing system under which we use both self-operated distribution channel and third party distributors to sell our branded products. The following diagram illustrates the model of our hybrid marketing system:



We sign distribution agreements with third party distributors. Distributors look for downstream buyers, mainly including retailers and wholesalers. Our self-operated distribution channel mainly covers the distribution of products in the Scandinavia and DACH market; whereas third party distributors engaged by us cover other regions. Third party wholesalers purchase a large quantity of our products directly from our third party distributors or us and further sell to third party retailers. The profit for wholesalers is mainly derived from the price differences between retailers' purchase prices and their sourcing prices. On the other hand, retailers directly deal with end consumers, normally through retail stores. Retailers procure the products from a variety of sources, including manufacturers, distributors, and wholesalers. The profit for retailers is mainly derived from the price differences between end consumers' purchase prices and their sourcing prices.

Distributorship arrangement

We predominately adopt distributorship sales strategy in most of our targeted markets as distributorship arrangement could allow us to save costs in negotiating with and managing local retailers and we are able to expand our sales network more quickly and effectively by leveraging on the local market knowledge, established network and sales channels of our distributors. Pursuant to the CIC Report, distributorship arrangement is common in the backpack and luggage industry. We have seller/buyer relationship with each of our distributors. We recognise revenue from the sales of goods to our distributors upon delivery of our branded products.

We promote our branded products to distributors and evaluate their experience and qualifications before they become our distributors. We consider various factors when selecting our distributors including their market reputation, credit worthiness, strength of sales network, customer base and their existing product portfolio. Where possible, we also make enquiries with our existing distributors in that region or our customers to understand the market reputation of the potential distributor. After assessment by our sales and marketing team and we would proceed to negotiating the terms of the distribution agreement with the distributor. In general, our relationship with the distributors is governed by the respective distributorship agreements entered into between us and the distributor. Though we do not have direct control over them, we communicate with and provide support to our distributors if necessary. We provide assistance when our distributors have requests and enquiries about our branded products and provide them with the marketing materials prepared by us for promotion of our branded products.

Management of distributors

Currently, our distributors place orders with us through the distributor-order-system, which is our first online order processing system developed and launched by us in 2013. We intend to utilise approximately HK$2.5 million of the net proceeds from our Share Offer on the development of a global web portal for selling and marketing of our branded products to replace our existing distributor order system. Further details about our new global web portal are set forth in the paragraphs headed "Business strategies — Expand our sales and marketing network" in this section.

We adopt the following measures to manage cannibalization among distributions: (i) when selecting our distributors, we take into consideration their respective geographic coverage as well as their distribution channels, including sales to retailers, in order to ensure that their target markets do not overlap in general; and (ii) we generally specify in the distribution agreements the designated distribution territory and distribution channels, with an aim to engage distributors whose distribution areas and distribution channels would complement each other. Without our prior approval, our distributors are not allowed to sell our products outside of their designated distribution territory.

We have no ownership or managerial control over the distribution networks of our distributors and we manage our distribution networks through monitoring our distributors' compliance with the terms in our distribution agreements. Upon the commencement of new cooperation, we require our distributors to prepare a marketing plan containing detailed information on the sales forecasts, advertising, marketing, distribution plans and programmes, the retailers of the distributors, retail price level market analysis and sales strategy, which is subject to our approval before implementation. We collect the marketing spending report from our distributors once a year and consolidate them into a marketing spending report for each brand, based on which we could negotiate with the brand licensors for the marketing budget. We do not have direct access to the sales and inventory levels of our distributors. Our sales and marketing team regularly require our distributors to report their sales performance to us. We also hold regular meetings with our distributors to evaluate their sales performance and collect their feedback on the latest market conditions. Our Directors believe that such regular communication would provide us with useful information on the sales performance and the unsold stock level of our distributors. Our Directors consider that the above measures adopted by us are adequate and appropriate to prevent channel stuffing as we are of the view that it is not meaningful and impracticable to control or manage inventory levels and operational activities of our distributors having considered that (i) our market share in the backpack and luggage industry in 2018 is approximately 0.71% based on our ex-factory revenue in 2018, which is considered to be insignificant, and therefore products built up at our distributors, if any, should have no effect on the overall competition in the industry; (ii) to the best knowledge, information and belief of our Directors, our distributors would carefully assess their inventory level based their own sales forecasts before placing orders with us to avoid stock obsolescence; and (iii) in the event that any of our existing distributors demonstrates inadequate sales performance, we would either initiate sales activities to support them or replace the underperforming distributors.

Our Directors consider that it is unlikely to have any channel stuffing issue under our current business model for the following reasons: (i) we generally do not grant credit period to our distributors except for Customer B which is granted a credit period of 60 days, further details of which set forth in the paragraphs headed "Distribution agreements" below; (ii) our average turnover days of trade receivables for distributors for the years ended 31 December 2016, 2017 and 2018, were approximately 62.7 days, 70.8 days and 93.2 days (including Customer B), respectively and approximately 41.0 days, 34.2 days and 24.3 days (excluding Customer B), respectively, both of which are lower than our overall average trade and bills receivables turnover days of approximately 62.8 days, 72.6 days and 91.9 days, respectively; (iii) our distributors are not entitled to return unsold or obsolete goods to us; and (iv) nothing has come to our attention that there was channel stuffing, for example, abnormal growth pattern in terms of purchase amounts from our distributors during the Track Record Period.

The following table sets forth the changes in number of our third party distributors who made any purchase during the years indicated:

	For the year ended 31 December		
	2016	**2017**	**2018**
Number of third party distributors at the beginning of the year	66	63	56
Increase in number of third party distributors during the year	20	5	13
Decrease in number of third party distributors during the year	(23)	(12)	(15)
Net increase/(decrease) in number of third party distributors during the year	(3)	(7)	(2)
Number of third party distributors at the end of the year	63	56	54

For the years ended 31 December 2016, 2017 and 2018, we had a total of 63, 56 and 54 third party distributors, respectively. For the years ended 31 December 2017 and 2018, we have terminated or decided not to renew our distribution agreements with some of the distributors with unsatisfactory performance since we intended to focus on a smaller number of better-performing distributors and to strengthen our cooperation with them. As each of our sales directors now directly manages a smaller number of distributors, we are able to allocate more resources to each distributor and introduce products that better fits each of our distributors' designated distribution territories. We believe that this strategy enables us to manage our distributors more efficiently and to focus more on assisting them to improve their sales. Our Directors confirmed that during the implementation of such business strategy, none of our distributors had returned any unsold products to us, and there is no channel stuffing of our products by the distributors.

During the Track Record Period, on average less than 25% of our distributors failed to meet the minimum purchase amount. Our Directors consider that this does not reflect negatively on our cooperation with our distributors as the minimum purchase amount was set primarily to make our distributors aware of our expectations on the market demand for our products and to better motivate them. Furthermore, when taking into account the sales performance of all our distributors as a whole, the total actual purchase amount of all our distributors exceeded the total minimum purchase amount imposed on all our distributors for the three years ended 31 December 2018. Our distributors' failure in meeting the minimum purchase amount would not automatically lead to termination of our distribution agreements with them. Instead, we would discuss with the relevant distributors to (i) evaluate on a case-by-case basis as to the appropriate follow-up actions such as initiating sales activities on improving their sales performance; and (ii) re-negotiate and modify the terms of our distribution agreements in relation to the minimum purchase amounts to more precisely reflect the actual market situation. During the Track Record Period and up to the Latest Practicable Date, there was no early termination of the distribution agreements as a result of material breach of the relevant terms in the distribution agreements.

For each of the years ended 31 December 2016, 2017 and 2018, our branded products were sold to 97, 91 and 83 countries through our third party distributors. Our revenue derived from sales to distributors amounted to approximately HK$196.5 million, HK$182.1 million and HK$103.3 million, representing approximately 31.2%, 27.6% and 15.3% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. The decrease in the revenue derived from sales to distributors during the Track Record Period was mainly due to the decrease in demand from Customer B as the timeline of the loyalty programs launched by Customer B differed from year to year.

Distribution agreements

We enter into distribution agreements with our distributors with terms and conditions in line with our sales policy for our products. We manage our distributors by way of distribution agreements, which govern our relationships with our respective distributors. In general, the major terms of these distribution agreements are as follows:

Duration	:	Three years
Geographic or other exclusivity	:	The distributors have the non-exclusive rights to distribute our products in the specified territories assigned by us.
Goods return and obsolete stock arrangements	:	The distributors accept a fixed percentage of products with defects that do not entitle to a discount. For visible defects in products over the fixed percentage, the distributor shall make a complaint within an agreed period upon receiving the products. There is no goods return arrangement for obsolete and unsold goods.
Minimum purchase amounts and sales target	:	We generally require the distributors to meet an agreed minimum purchase amount of our products in each contract year. If the minimum purchase amount is not met, under the agreements, we are entitled to demand an amount equal to certain percentage of the difference between the applicable minimum purchase amount and the actual purchase amount of the respective year.
Conditions for termination	:	We reserve the right to terminate our distribution agreements if there are any material breaches by our distributors.
Other major obligations of the distributors	:	The distributors are required to spend a fixed percentage of the wholesales sales on marketing, advertising and promotional activities within their specific territories. The distributors should ensure the retailers shall not do any acts or things which are inconsistent with the distributors' obligations under the distribution agreements. Some of our distributors shall pay to us royalty fee of either a fixed amount or a certain percentage of the net sales of the branded products.

Payment terms	:	Other than Customer B which is granted a credit period of 60 days, for all our other distributors, we do not grant credit period to them and require either (i) full payment in advance; (ii) payment of 30% or 50% of the full payment in advance and the remaining payment before shipment; or (iii) letter of credit at sight. The distributors can pay us by bank transfer.

During the Track Record Period, we had no material disagreements or disputes with our distributors. For the year ended 31 December 2018, we imposed a compensation of approximately HK$1.2 million on one of our distributors which failed to meet the minimum purchase amount. Where it was not specified in the distribution agreements, details of the payment and credit terms and logistics such as transportation and insurance would be negotiated and agreed in the purchase order and sales confirmation for each transaction.

Other than GULA (or through its affiliates) which purchased products from us as a distributor during the Track Record Period, none of our distributors have any past and present relationship with our Company, founders, subsidiaries, directors, senior management or any of their respective associates. GULA is a company wholly-owned by Mr. Wong, being one of the founders and former shareholders of our Group. Further details regarding our business arrangements with GULA are set forth in the section headed "History, Reorganisation and Group Structure – Business arrangement with GULA" in this prospectus.

Our self-operated distribution channel

Our self-operated distribution channel is based on our sales and marketing office in Aarhus, Denmark and sells the licensed brand and the *Ellehammer* brand products mainly to wholesalers and retailers based primarily in Europe. We strategically established our self-operated distribution channel in Denmark in 2005 as it could enable us to access the Scandinavia and DACH market, which our Directors believe to have relatively high market awareness for the licensed brand products and the *Ellehammer* brand products.

Sales agent

Furthermore, to better serve our customers in the U.K. market, we have engaged a sales agent to assist us in maintaining a close communication with the local distributors and solicit sales. The salient terms of the sales agency agreement are as follows:

Principal and agent	:	We grant a non-exclusive right to the sales agent to act as our agent to solicit customers in U.K.
Contractual term	:	The agreement shall commence from 1 January 2018 and remain effective until it is terminated by the parties.
Area of sale	:	U.K.

Obligations of the sales agent	:	An agreed minimum turnover for the forthcoming three years will be determined by 1 December of each year. We are entitled to terminate the sales agency agreement if the sales agent fails to meet such agreed minimum turnover.
Sales commission	:	The sales agent is entitled to commissions on all net sales made by him at a rate of 4.5% payable in USD on a quarterly basis.
Termination	:	The sales agency agreement may be terminated immediately in case of any fundamental reach including if the agreed minimum turnover is not achieved. Either party may also terminate the sales agency agreement upon prior written notice to the other party. The period of notice for both parties shall be one month for the first year of the agreement after which the period of notice increases by one month for each year up to a maximum of six months.

Our Directors believe that the arrangement with our U.K.-based sales agent would help our Group to further penetrate into the local U.K. market. We had an insignificant amount of sales to the sales agent for the year ended 31 December 2018.

Pricing policies

For branded products, we set the selling price for our products taking into consideration a number of factors, including market demand, retail price of similar products in the market, cost of raw materials and labour, product brands, product life cycle, the order quantity of the distributors and consumption behaviour as well as business relationship with the distributors. To ensure observance with our pricing policies whilst maintaining flexibility in response to changing market conditions, our commercial directors are generally authorised to offer our distributors a permissible range of discount to our pre-determined selling price, on a case by case basis. For a discount which is beyond the permissible range, our sales and marketing team would seek authorisation from our management team.

As for our private label customers, we offer our price quotations to customers on a case-by-case basis based on our negotiation with our customers. We provide our price quotations taking into account a number of factors, including the order volume, the reputation of our customers and our relationship with the customers.

Tariffs

Our product sales in the U.S. accounted for approximately 40.2%, 39.6% and 44.6% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Shipments of products to the U.S. are subject to custom inspection and compliance, for further details regarding tariffs in the U.S., please refer to the section headed "Regulatory Overview — Regulatory requirements in the United States — Import regulations and anti-dumping" in this prospectus. Our Directors are aware of the recent development of the trade dispute between the U.S. and the PRC. The U.S. government has recently increased the tariffs on various products imported from the PRC, through a series of notices issued by the USTR, and some of our suitcase and bags that we export to the United States are listed as being covered by these notices. This may pose new threats to Mainland-based manufacturers in general. However, as our products that are sold and delivered to the U.S. are mainly sold on a free-on-board basis, we are not deemed to be the importer of our products, and the burden is borne by our customers rather than our Group. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any anti-dumping duties upon importation into the U.S..

Looking forward, we believe that we can deploy a number of strategies to mitigate any possible adverse impact of the new U.S. tariffs, including (i) passing the tariff in part or in full onto the end users in collaboration with our customers and (ii) engaging manufacturers in other APAC countries to take up our production orders. Due to the high technical specifications of the products manufactured by us, our customers are confident that the increase in costs can be passed onto the end users. We are closely monitoring the continuing developments between the United States and the PRC that may impact our business, and designing strategies together with our customers to prepare for any effects that increased tariffs may have. For further details, please refer to the sections headed "Risk factors — Risk relating to our business — We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations" and "Regulatory Overview — Regulatory requirements in the United States — Import regulations and anti-dumping" in this prospectus.

Marketing

We have implemented various advertising and promotional activities to extend our reach to potential buyers by hosting sales conferences and attending industry exhibitions through which we promote our products to the distributors and promote our manufacturing solutions to private label customers. During the Track Record Period, we participated in industry fairs such as in the U.S. and Denmark.

We promote our new design collections to customers who visit our showrooms in our offices in Hong Kong, Denmark and Shenzhen. Our websites also serves as a promotional platform for our products, and conveys latest information about our product portfolio and production capabilities. Further details of our websites are set forth in the paragraph headed "B. Further information about our business" in Appendix V to this prospectus.

For the years ended 31 December 2016, 2017 and 2018, our marketing expenses amounted to approximately HK$1.7 million, HK$2.1 million and HK$1.9 million, respectively, representing approximately 0.3%, 0.3% and 0.3% of our total expenses for the same year.

OUR CUSTOMERS

Our customers include private label customers, distributors, wholesalers and retailers.

The following table sets forth our revenue breakdown by customer type for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK$'000		*HK$'000*		*HK$'000*	
Private label customers	397,732	63.1	429,754	65.1	514,392	75.9
Distributors	196,486	31.2	182,068	27.6	103,250	15.3
Wholesalers and retailers	36,152	5.7	48,226	7.3	59,822	8.8
Total	630,370	100.0	660,048	100.0	677,464	100.0

We have developed a stable relationship with our key customers. Our sales to our top five customers for the years ended 31 December 2016, 2017 and 2018 accounted for approximately 69.5%, 63.9% and 57.5% of total sales, respectively and our sales to our largest customer accounted for approximately 28.5%, 28.7% and 32.8% of our total sales of the corresponding years, respectively. Our top five customers during the Track Record Period have maintained from two to 15 years of business relationship with us. During the Track Record Period, our customers generally pay us by letter of credit and bank transfer and the majority of payment terms with our customers were within 60-90 days.

Top customers

For the year ended 31 December 2016:

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue *%*
1	Customer A	Private label customer	A public company listed on Hong Kong Stock Exchange, which is principally engaging in the provision of supply chain solutions for brands and retailers with revenue of US$12.7 billion in 2018 and market capitalisation of over HK$9 billion as at the Latest Practicable Date	5	Luggage	179,787	28.5
2	Customer B	Distributor and private label customer	A worldwide retail marketing company headquartered in the Netherlands, which is principally engaged in designing and implementing customer loyalty marketing campaigns for retailers with 34 offices throughout the America, Europe, Asia Pacific and Australia	12	Luggage, backpacks and other types of bags	133,243	21.1
3	Customer C	Private label customer	Official licensee of US market for one of the leading sportswear manufacturer whose shares listed on the Frankfurt Stock Exchange with revenue of EUR21.9 billion in 2018 and market capitalisation of over EUR50 billion as at the Latest Practicable Date	10	Backpacks and other types of bags	45,918	7.3

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue *%*
4	Customer E	Private label customer	A subsidiary of a public company listed on Nasdaq Copenhagen stock exchange, which is principally engaged in the development, production and marketing of pharmaceutical products with revenue of DKK111.8 billion in 2018 and market capitalisation of over DKK580 billion as at the Latest Practicable Date	15	Medical bags	40,244	6.4
5	Customer F	Private label customer	A subsidiary of a sport equipment manufacturer whose shares listed on Nasdaq Helsinki stock exchange with revenue of EUR2.7 billion in 2018 and market capitalisation of over EUR4 billion as at the Latest Practicable Date	15	Backpacks and other types of bags	39,147	6.2
	Five largest customers combined					438,339	69.5
	All other customers					192,031	30.5
	Total					630,370	100.0

For the year ended 31 December 2017:

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue *%*
1	Customer A	Private label customer	A public company listed on Hong Kong Stock Exchange, which is principally engaging in the provision of supply chain solutions for brands and retailers with revenue of US$12.7 billion in 2018 and market capitalisation of over HK$9 billion as at the Latest Practicable Date	5	Luggage	189,195	28.7
2	Customer B	Distributor and private label customer	A worldwide retail marketing company headquartered in the Netherlands, which is principally engaged in designing and implementing customer loyalty marketing campaigns for retailers with 34 offices throughout the America, Europe, Asia Pacific and Australia	12	Luggage, backpacks and other types of bags	104,424	15.8
3	Customer C	Private label customer	Official licensee of US market for one of the leading sportswear manufacturer whose shares listed on the Frankfurt Stock Exchange with revenue of EUR21.9 billion in 2018 and market capitalisation of over EUR50 billion as at the Latest Practicable Date	10	Backpacks and other types of bags	60,426	9.2

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue *%*
4	Customer F	Private label customer	A subsidiary of a sport equipment manufacturer whose shares listed on Nasdaq Helsinki stock exchange with revenue of EUR2.7 billion in 2018 and market capitalisation of over EUR4 billion as at the Latest Practicable Date	15	Backpacks and other types of bags	34,496	5.2
5	Customer E	Private label customer	A subsidiary of a public company listed on Nasdaq Copenhagen stock exchange, which is principally engaged in the development, production and marketing of pharmaceutical products with revenue of DKK111.8 billion in 2018 and market capitalisation of over DKK580 billion as at the Latest Practicable Date	15	Medical bags	33,296	5.0
	Five largest customers combined					421,837	63.9
	All other customers					238,211	36.1
	Total					660,048	100.0

For the year ended 31 December 2018:

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue *%*
1	Customer A	Private label customer	A public company listed on Hong Kong Stock Exchange, which is principally engaging in the provision of supply chain solutions for brands and retailers with revenue of US$12.7 billion in 2018 and market capitalisation of over HK$9 billion as at the Latest Practicable Date	5	Luggage	222,133	32.8
2	Customer C	Private label customer	Official licensee of US market for one of the leading sportswear manufacturer whose shares listed on the Frankfurt Stock Exchange with revenue of EUR21.9 billion in 2018 and market capitalisation of over EUR40 billion as at the Latest Practicable Date	10	Backpacks and other types of bags	71,136	10.5
3	Customer F	Private label customer	A subsidiary of a sport equipment manufacturer whose shares listed on Nasdaq Helsinki stock exchange with revenue of EUR2.7 billion in 2018 and market capitalisation of over EUR4 billion as at the Latest Practicable Date	15	Backpacks and other types of bags	34,527	5.1

Rank	Customer	Customer type	Principal business activities	Years of business relationship	Major products sold	Revenue *HK$'000*	As % of total revenue %
4	Customer E	Private label customer	A subsidiary of a public company listed on Nasdaq Copenhagen stock exchange, which is principally engaged in the development, production and marketing of pharmaceutical products with revenue of DKK111.8 billion in 2018 and market capitalisation of over DKK580 billion as at the Latest Practicable Date	15	Medical bags	31,316	4.6
5	Customer I	Private label customer	A company in Belgium, being a wholly-owned subsidiary of a public company listed on Hong Kong Stock Exchange, which is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, women's bags, etc., under various brand names throughout the world. It recorded net sales of US$3.8 billion and operating profit of US$467.4 million in 2018. It has a market capitalisation of over HK$20 billion as at the Latest Practicable Date.	2	Luggage, backpacks and other types of bags	30,725	4.5
	Five largest customers combined					389,837	57.5
	All other customers					287,627	42.5
	Total					677,464	100.0%

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of our top five customers of our Group during the Track Record Period.

OUR SUPPLIERS

Our suppliers include raw material suppliers and subcontractors.

Our raw material suppliers

We sourced our raw materials from suppliers located in PRC, Taiwan and South Korea. Our principal raw materials include polyester fibre and trolley component. For the years ended 31 December 2016, 2017 and 2018, our total cost of inventories sold represented approximately 81.2%, 81.5% and 82.4% of our cost of sales, respectively.

We select our raw materials suppliers taking into account quality of the raw materials, delivery time, pricing, quality of services, reliability, creditworthiness and our past experiences when conducting business with them. We generally place procurement orders in large volumes. In addition, we generally obtain quotations from a few suppliers before we place our procurement orders. We generally maintain several suppliers for each major type of raw materials to allow us to have a greater variety of raw materials at good quality, competitive prices and stable supply. For the years ended 31 December 2016, 2017 and 2018, we purchased from 125, 146 and 134 raw material suppliers, respectively. With our diverse base of suppliers, we did not experience a shortage or delay in the supply of raw materials which had imposed a material impact on us during the Track Record Period. Coupled with our industry experience in anticipating upcoming demand based on historical figures, we manage the costs of our raw materials and had not experienced any cost overrun as a result of the increase in the raw materials costs. We closely monitor the cost of raw material for cost control purpose and to maintain our profit margin. According to the CIC Report, the prices of polyester fibre, being the major raw materials of our products, decrease during 2013 to 2015 while the trend has reversed since the begin of 2016.

We have developed a stable relationship with our key suppliers. Our purchases from our top five suppliers for the years ended 31 December 2016, 2017 and 2018 accounted for approximately 46.7%, 40.6% and 34.9% of total purchases, respectively and our purchases from our largest supplier accounted for approximately 12.7%, 15.8% and 11.7% of our total purchases of the corresponding years, respectively. Our top five suppliers during the Track Record Period have maintained from less than two to seven years of business relationship with us. During the Track Record Period, we generally pay our suppliers by bank transfer and the majority of payment terms with our suppliers were within 60 days.

Agreements with our raw material suppliers

We generally enter into long-term procurement agreements with our suppliers. Depending on the demand for the products and the stock level of the relevant materials, we source raw materials from our suppliers by way of placing purchase orders with them on a per order basis and the terms of purchases are negotiated for each purchase. These purchase orders generally contain the following salient terms:

(i)	Product specifications	:	The purchase orders set out the product specification, design, colour, size of accessories and the raw materials to be used.
(ii)	Unit price	:	The quantity, unit price and total purchase amount.
(iii)	Delivery	:	We generally require suppliers to deliver the raw materials to our Shenzhen Factory and Jiangxi Factory on the specific date decided by us.
(iv)	Standard of quality	:	We require the suppliers to follow our quality standards to supply their goods and will inspect the goods based once arrived.

As part of our quality assurance and control measures, our quality assurance and control department would inspect and ensure that the raw materials purchased have passed all the relevant safety standards as required by the importing countries of our products. For details, please refer to the paragraph headed "Quality assurance and control — Quality control of raw materials" in this section.

Selection of suppliers

We select our raw material suppliers taking into account factors including price, quality, reliability, lead time and our past experience when conducting business with them. We maintain our own approved suppliers list and evaluate potential suppliers before listing them as our approved suppliers. We generally maintain a few suppliers for each type of major raw materials on our approved suppliers list to avoid shortage or delay in supply. We generally obtain price quotes from several suppliers before we place orders with our suppliers.

Our subcontractors

With a view to effectively manage our costs and optimise our production flow, we adopt a flexible production policy under which we decide whether to manufacture products internally or outsource the entire or part of the production process to our subcontractors in order to increase flexibility on staffing and save costs on human resources management. Our subcontractors are independent factories located mainly in the PRC, Bangladesh and Vietnam. The revenue attributable to outsourced production for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK$339.4 million, HK$318.9 million and HK$310.4 million, accounting for approximately 53.8%, 48.3% and 45.8% of our total revenue during the same years, respectively. We have two types of subcontracting arrangement, namely on-site subcontracting and off-site subcontracting arrangement. Under on-site subcontracting arrangement, our subcontractors arrange for its workers to conduct the designated production processes on-site at our production facilities. For off-site subcontracting arrangement, our subcontractors manufacture our ordered products or conduct the designated production processes at their own production facilities. We may subcontract the entire or part of the production process to our subcontractors under off-site subcontracting arrangements.

We provide the raw materials or the semi-finished products to our subcontractors undertaking part of the production process. For our subcontractors undertaking the entire production process, we require them to order the raw materials needed from the suppliers designated by us. We maintain a list of approved subcontractors to ensure we have alternative subcontractor if any one of them is unable to allocate the requested manufacturing capacity to us. Depending on the requirements of our customers, we may need to obtain prior approval from some of our customers for the engagement of subcontractors. According to the CIC Report, it is industry norm for bag manufacturers in the PRC to have on-site and off-site subcontracting arrangement.

We enter into fixed-term agreements with our subcontractors governing the general terms of subcontracting arrangement. The subcontracting agreements require our subcontractors to (i) produce product samples for our approval before mass production; (ii) comply with the requirements under the manufacturing orders placed by us; (iii) submit production schedule report to us regularly; (iv) to comply with the applicable employment-related laws and the laws and regulations on the product quality and specifications of the export countries; (v) granting us the right to inspect different production stages; (vi) arrange packing and delivery of the finished products to our customers upon our satisfactory inspection; (vii) not to infringe the intellectual property rights relating to the products; and (viii) compensate us for damages arising from defective products.

We do not commit to any minimum amount of works or subcontracting charges with our subcontractors as we only place manufacturing orders with our subcontractors on an order-by-order basis as part of our pre-production planning after receiving purchase orders from our customers. The manufacturing orders with our subcontractors specify details including product specifications, delivery schedule, quantity, unit price, payment and credit terms. The subcontracting fees are calculated based on the quantity of the

finished goods or semi-finished goods. The semi-finished and finished goods produced by our subcontractors are subject to our quality control by our quality control team. The finished goods are delivered to our customers directly subject to our satisfactory inspection. Further details are set forth in the paragraphs headed "Quality assurance and control" in this section.

Our Directors consider that we have established stable working relationship with our subcontractors. During the Track Record Period, we have not experienced any labour strike causing material interruption of operations as a result of any disputes between our Group and our subcontractors.

On-site subcontracting arrangement

Our on-site subcontractors arrange for manufacturing workers to work at our production facilities. We had three on-site subcontractors during the Track Record Period. The production processes which our on-site subcontractors undertake mainly include packaging and riveting.

We provide the raw material, equipment and machinery for them to perform production onsite. Workers of the on-site subcontractors are supervised by their own supervisors as well as by our factory manager.

Off-site subcontracting arrangement

In addition to on-site subcontracting arrangement, we also engage subcontractors to fulfil our customers' orders through off-site subcontracting arrangement. We have 35, 49 and 55 off-site subcontractors for the years ended 31 December 2016, 2017 and 2018, respectively. We may subcontract the entire production process to our subcontractors such as the production of hard-side luggage or part of the production process to our subcontractors such as silk screen printing and glueing pursuant to the off-site subcontracting arrangement.

Unlike the on-site subcontracting arrangement, our off-site subcontractors manufacture the products we ordered or perform the production procedures that we outsourced to them in their own manufacturing facilities utilising their own equipment and machinery. We provide the raw materials or the semi-finished products for our off-site subcontractors undertaking part of the production process. For our off-site subcontractors undertaking the entire production process, we require them to order the raw materials needed from the suppliers designated by us.

Selection of subcontractors

We select our subcontractors taking into account factors including price, equipment and machinery required, reliability, manufacturing capacity, lead time, the style of the backpack and luggage and our past experiences when conducting business with them. We regularly, in certain circumstances together with our customers, evaluate the performance and conduct quality control on the semi-finished products and products manufactured by our subcontractors.

Top suppliers

For the year ended 31 December 2016:

Rank	Supplier	Principal business activities	Years of business relationship	Products provided	Amount of purchase from our suppliers *HK$'000*	As percentage of amount of purchase from our suppliers *%*
1	Supplier B	A luggage, bag, hardware, travel goods and relevant accessory manufacturer located in the PRC	7	Luggage, backpack and other types of bags	50,628	12.7
2	Supplier A	A luggage, sporting goods, stationery and travel goods manufacturer located in the PRC	6	Backpack and other types of bags	41,843	10.5
3	Supplier C	A bag, clothing, shoes and hat and ancillary products manufacturer located in the PRC	5	Backpack and other types of bags	38,404	9.6
4	Supplier F	A service provider located in the PRC for import and export business, storage services, economic information consultation, computer software development, luggage testing services, international freight forwarder and food business	5	Luggage	28,667	7.2
5	Supplier E	A chemical fibre fabrics manufacturer located in the PRC	5	Fabric	26,393	6.6
	Five largest suppliers combined				185,935	46.6
	All other suppliers				212,269	53.4
	Total				398,204	100.0

For the year ended 31 December 2017:

Rank	Supplier	Principal business activities	Years of business relationship	Products provided	Amount of purchase from our suppliers *HK$'000*	As percentage of amount of purchase from our suppliers %
1	Supplier B	A luggage, bag, hardware, travel goods and relevant accessory manufacturer located in the PRC	7	Luggage, backpack and other types of bags	62,987	15.8
2	Supplier A	A luggage, sporting goods, stationery and travel goods manufacturer located in the PRC	6	Backpack and other types of bags	27,683	6.9
3	Supplier E	A chemical fibre fabrics manufacturer located in the PRC	5	Fabric	25,442	6.4
4	Supplier G	A metal and plastic goods manufacturer located in the PRC	4	Trolley components	24,155	6.1
5	Supplier C	A bag, clothing, shoes and hat and ancillary products manufacturer located in the PRC	5	Backpack and other types of bags	21,605	5.4
	Five largest suppliers combined				161,872	40.6
	All other suppliers				237,129	59.4
	Total				399,001	100.0

For the year ended 31 December 2018:

Rank	Supplier	Principal business activities	Years of business relationship	Products provided	Amount of purchase from our suppliers *HK$'000*	As percentage of amount of purchase from our suppliers *%*
1	Supplier B	A luggage, bag, hardware, travel goods and relevant accessory manufacturer located in the PRC	7	Luggage, backpack and other types of bags	52,792	11.7
2	Supplier G	A metal and plastic goods manufacturer located in the PRC	4	Trolley components	31,761	7.0
3	Supplier E	A chemical fibre fabrics manufacturer located in the PRC	5	Fabric	27,007	6.0
4	Supplier A	A luggage, sporting goods, stationery and travel goods manufacturer located in the PRC	6	Backpack and other types of bags	24,898	5.4
5	Supplier H	A bag, clothing and sporting goods manufacturer located in the PRC	2	Backpack and other types of bags	21,768	4.8
	Five largest suppliers combined				158,226	34.9
	All other suppliers				294,501	65.1
	Total				452,727	100.0

To the best knowledge and belief of our Directors and after making all reasonable enquiries, save and except for the equity interest of 16.67% in Supplier A which we acquired in June 2012 and disposed of in March 2017 as further described in the section headed "History, Reorganisation and Group Structure — Material shareholding changes of our Group prior to and during the Track Record Period — (iv) Disposal of 16.67% equity interest in Supplier A by GPC" in this prospectus, none of our Directors or their respective close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of the top five suppliers of our Group during the Track Record Period. Supplier A is one of our offsite subcontractor and is one of our five largest supplier for each of the years ended 31 December 2016, 2017 and 2018. Same as our cooperation with our other subcontractors, we have entered into a fixed term agreement with Supplier A to govern our terms of cooperation, the salient terms of which are set forth in the paragraphs headed "Our subcontractors" above. During the Track Record Period, the pricing and credit terms with Supplier A were comparable to those of our other suppliers.

INVENTORY CONTROL AND WAREHOUSING

Majority of our inventory are stored in our warehouse located in our Shenzhen Factory and Jiangxi Factory and in the warehouse of a logistics service provider located in Germany. They primarily comprise raw materials, work-in-progress and finished products.

The logistics service provider we engage provides warehousing service in Hardewritt and Flenburg, Germany. We have been relocating our stock in Germany to another warehouse in Denmark since January 2019 for us to distribute to our distributors and retailers in Northern Europe. We also engage a logistics service provider for the provision of warehousing space in Shanghai and Xiamen, the PRC, such stock is for us to distribute to our distributors in the PRC and overseas.

We generally purchase raw materials on a back-to-back basis upon receipt of purchase orders from customers. We also purchase raw materials as buffer stock for particular types of products that we receive stable monthly purchase orders. As part of our warehouse management policy, our warehouse officers perform stock take periodically, and check on damaged or obsolete inventory. Reports on our warehouse inventory, which include information on inventory levels, can be generated to allow us to assess the sales performance of our inventory. It is our strategy to minimise our inventory level. For some of the materials that have relatively short production lead time, such as printed boxes and packaging materials, we generally maintain a just-in-time inventory control policy.

One of our top five suppliers of fabric offer us vendor-managed inventory arrangement pursuant to which they store inventory in our warehouse and regularly monitor the inventory level in order to replenish their inventory to our warehouse when necessary. Our Directors consider that such arrangement improves our inventory management by avoiding accumulation of inventory while also minimising out-of-stock situations.

QUALITY ASSURANCE AND CONTROL

We place strong emphasis on quality, safety and durability of our products by implementing a range of quality assurance and control measures as set out below.

In recognition of our quality in manufacturing processes, both our Shenzhen Factory and Jiangxi Factory obtained BSCI certifications in 2017 and Jiangxi Factory also obtained ISO 9001:2008 in 2016. Our licensors also require us to comply with their quality specifications. Our customers also conduct factory audit in our production facilities during the Track Record Period and we did not receive negative feedback from our customers.

As a majority of our products are sold to the overseas markets, we are obliged to the relevant safety standards as required by the importing countries of our products. We engage independent certification organisations to test and certify our raw materials and products on compliance with the relevant standards of the targeted sales region, such as EU REACH, CPSTA and CP65.

We have also adopted effective quality assurance and control measures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products. As at the Latest Practicable Date, our quality assurance and control team is headed by a supply chain director who has 22 years of relevant experience, supported by three quality control supervisors and eight quality control specialists, which have an average of approximately 15 years of relevant experience.

Quality control of raw materials

We conduct sample testing on incoming raw materials to ensure that their quality and safety meet the prescribed standards of our Group and conform to our licensors' and customers' requirements.

Raw materials supplied by suppliers are required to go through an incoming material quality control procedure ("**IQC**"). We require our suppliers to provide inspection reports to ensure that the raw materials supplied fulfil our quality standard. Upon delivery of raw materials by our suppliers, our IQC team will also conduct sample checking on such raw materials. If the incoming materials fail to pass IQC, we will request the relevant suppliers to replace the substandard and defective raw materials for us. In general, our raw material suppliers provide us with a credit period of 60 days.

Quality control in the production process

During production, to ensure that our products comply with the specifications and are free from defects, we carry out inspections at each stage of the production process. Workers at each station has a golden sample for his or her quality control purpose. Team leader and quality assurance and control team in the relevant production line perform regular checks at each stage of the production process to screen out products which are defective and to ensure that the quality of the products satisfy our licensors' or customers' designs and specifications as well as our stringent quality standards.

Quality control of the finished goods

Once a product has been fully assembled, it is subject to testing and checking by our quality assurance and control team in accordance with the specified requirements. Unsatisfactory products will be reworked until they reached the requisite standards. In addition, depending on the requirements of our customers, our products are tested by our internal laboratory and/or third party laboratories.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material claims or complaints by our customers in respect of the quality of our products and there was no incident of failure of our quality assurance and control systems or penalties from relevant regulatory bodies which had a material and adverse impact on our business operations.

PRODUCT RETURN POLICY

We provide two types of defective allowance to our customers: (i) defective allowance for our distributors; and (ii) return of a whole shipment of goods to us due to manufacturing defect. During the Track Record Period, we did not experience material return of shipment.

In general, no product return or exchange by our customers is allowed except for malfunctions of or manufacturing defects in our products, and in such case, product return or provision of spare parts will be arranged on a case by case basis. As product return is provided on a case by case basis, we did not make provision for such expenses.

RESEARCH AND DEVELOPMENT

We have implemented a research and development policy to manage and monitor the use of funds in relation to our product design and development activities. We develop and review our annual budget for product design and development expenses according to the recent market trend and historical sales data. We set our annual budget on at the beginning of each year. For the years ended 31 December 2016, 2017 and 2018, we incurred product design and development expenses of approximately HK$8.1 million, HK$11.9 million and HK$12.1 million, respectively which comprises primarily staff cost for our design and development team.

COMPETITION

The global OEM, ODM and OBM market for backpack and luggage products is highly fragmented, with a large number of players locating in different regions. Our Directors consider that competition within the industry is keen. Our Group competes with other manufacturers across the world, which are similar to us in terms of product range, pricing, product quality and sales network coverage. With the highly fragmented market, we face intense competition in our target markets and our competitors may have stronger financial resources, lower pricing and better business reputation than we do. Further details are set forth in the section "Risk Factors — Risk relating to our industry — We face intense competition as a manufacturer in the backpack and luggage industry in the PRC" in this prospectus.

Even though the backpack and luggage industry is becoming increasingly competitive, we believe we possess competitive advantages over our competitors. Further details of the competitive landscape of the backpack and luggage industry are set forth in the section headed "Industry overview" in this prospectus.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Our production operations are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC as well as regulations and monitoring by local work safety authorities. Our Group would be subject to fines, suspension of business or cessation of operations if there is any failure to comply with present or future laws and regulations.

We believe that our production process does not generate hazards that have any significant adverse effect on the environment and our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations. For the years ended 31 December 2016, 2017 and 2018, our cost of compliance with applicable environmental laws and regulations were approximately HK$0.6 million, HK$0.6 million and HK$0.6 million, respectively, which was mainly attributable to the cost of waste disposal and payroll to our compliance team.

We have implemented measures to address potential risks relating to work safety and health, including (i) conducting on-going training and circulating operation manuals of production process to enhance our employee's awareness of safety and health issues at work; (ii) periodically inspecting the safety conditions of our production units; and (iii) implementing a management system for managing over-time work and holiday arrangement to ensure that the employees have proper rest and are properly compensated for over-time work, if any. In order to prevent and mitigate safety and health issues, we have also implemented set up communication platform, including email and hotline for our employees where they can complain or express their concerns over various aspect such as work arrangement, overtime compensation etc. on an anonymous basis.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any material stoppages of production due to equipment failure and we did not experience any severe accidents during our production process which caused a material effect on our Group's financial condition and results of operations.

INTELLECTUAL PROPERTY

We rely on a combination of trademark and other intellectual property laws to protect our product design, trade secrets and other intellectual property rights. As at the Latest Practicable Date, we had 30 registered trademarks in different countries which in the opinion of our Directors are material to our business, such as Denmark, U.S., Chile, Mexico and Russia. Furthermore, we have applied for the registration of certain trademarks in the PRC as of the Latest Practicable Date. In addition to the trademarks, as of the Latest Practicable Date, we had four major domain names. Further details of our intellectual property portfolio are set out in the paragraph headed "Statutory and general information — B. Further information about our business — 2. Intellectual property rights" in Appendix V to this prospectus.

For details of the licensing arrangements which we have entered into with various licensors, see the paragraph headed "Our Business Model — Branded products — Licensed brands products — Licensing arrangements with licensors" in this section.

As for our customers' designs, our customers retained the intellectual property rights of the designs. As for our Group's designs, the Group generally retains the intellectual property rights of the designs. However, in certain transactions and especially with some of the Group's key customers, the parties to the transaction would negotiate and agree, as part of the terms and conditions to the transactions, to vest the intellectual property rights of the designs designed by the Group in such customers.

In order to protect all the product design owned by our us and our customers, information pertaining to our or our customers' design is generally kept confidential from any third parties or the general public, other than the third party factories. Further, our subcontracting agreements require our subcontractors to keep confidential our commercial secrets including the design, specification and costs of production of the products.

As at the Latest Practicable Date, we have not been sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. We believe we have taken reasonable measures to prevent infringement of our own intellectual property rights.

INFORMATION TECHNOLOGY

Our information technology systems support our operations, distributor order system, inventory control, procurement, production and sales management. Our ERP system interfaces with our product replenishment system and central accounting system, and regulates our operation, production chain and financial management.

Our headquarter office in Hong Kong and our production plant are interconnected through ERP system and it enables us to monitor all sales data and inventory movement of purchase orders. Timely access to inventory and sales data allows our management to efficiently monitor sales performance and make appropriate adjustments in response to market conditions and customer purchasing behaviour. It also facilitates our procurement, marketing strategies and decisions making process. For financial reporting management, we compile financial statements based on the information in our ERP system which facilitates us in managing our fixed assets, accounts receivables and accounts payables.

INSURANCE

As at the Latest Practicable Date, we have maintained insurance coverage in relation to our business that is adequate and is customary for our industry, including public liability insurance, property all-risks insurance, product liability insurance, employees' compensation insurance, keyman insurance, marine cargo insurance, money insurance, material damage insurance, combined general liability insurance and vehicle insurance. Our Directors confirm that we had not made any material claims on any insurance policy maintained by us during the Track Record Period.

OUR PROPERTIES

Set out below details of the properties owned and leased by our Group as at the Latest Practicable Date.

Owned Properties

Hong Kong

Address	Registered owner	Approximate gross floor area *(sq. m.)*	Use of the property
Factory D, 7/F, Tai Ping Industrial Centre Block 2, No.55 Ting Kok Road, Tai Po, New Territories, Hong Kong*(Note)*	GPM	579	Ancillary office and storage uses
Car Parking Space L6 on Ground Floor, Tai Ping Industrial Centre Block 2, No. 55 Ting Kok Road, Tai Po, New Territories, Hong Kong*(Note)*	GPM	Not applicable	The carpark is leased to a third party tenant for a term of one year commencing from 1 January 2019 and expiring on 31 December 2019 at a monthly rent of HK$5,400 for car parking uses

The PRC

Address	Land use right owner	Approximate gross floor area (sq. m.)	Expiry date of the land	Use of the property
An industrial complex located at No. 63 Yingbin Avenue, Xinfeng County Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, the PRC*(Note)*	GP2	38,320	1 September 2054	Jiangxi Factory

Note: The relevant property valuation report is set forth in Appendix III to this prospectus. Except for the property interest the details of which are set out in Appendix III to this prospectus, our Directors confirm that no single property interest that formed part of our Group's non-property activities had a carrying amount of 15% or more of our consolidated total assets as at 31 December 2018.

Leased Properties

Hong Kong

Address	Approximate gross floor area	Monthly rent	Duration of the lease	Use of property
H6, Floral Villas, No.18, Tso Wo Road, Sai Kung, New Territories, Hong Kong	2,865 sq. ft	HK$97,000	From 17 March 2017 to 16 March 2020	Accommodation of Mr. Berg

Denmark

Address	Approximate gross floor area	Monthly rent	Duration of the lease	Use of property
Balticagade 10B, 2. tv., 8000 Aarhus C, Denmark (known as "Balticagade 12, 2. Floor, DK-8000 Aarhus C, Denmark" before 12 September 2016)	1,668 sq.m. and 15 car parking spaces	DKK78,609.7 with annual adjustment in accordance with the Danish Net Price Index	From 1 July 2005 to 30 June 2022	Sales & marketing office and showroom

The PRC

Address	Approximate gross floor area	Monthly rent	Duration of the lease	Use of property
1/F & 2/F and 32 staff dormitory units on 7/F, Huafeng Green Energy Innovation Park, No.22 Huanping Road, Pingdi Community, Longgang District, Shenzhen City, Guangdong Province, the PRC	10,374 sq.m.	RMB238,602	From 1 February 2018 to 31 January 2021	Shenzhen Factory and staff dormitory
No. 21 Lvyuan Avenue, Xinfeng County Industrial Park, Ganzhou, Jiangxi Province, the PRC	3,600 sq.m.	RMB19,000 from 1 March 2017 to 28 February 2020 and RMB21,000 from 1 March 2020 to 28 February 2022	From 1 March 2017 to 28 February 2022	Jiangxi Factory

All the above properties are leased from independent third parties.

Pursuant to the Administration Measures for Administration of Commodity Housing Tenancy (《商品房屋租賃管理辦法》), lease agreements have to be registered with the relevant authorities within 30 days of signing. For each unregistered lease, a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to the lease for failing to rectify it within the given period. As at the Latest Practicable Date, we failed to obtain lease registration for our lease properties in the PRC primarily due to the difficulty of procuring our lessors' cooperation to register such leases. However, as of the Latest

Practicable Date, we had not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Advisers advise us that non-registration of such lease agreements would not affect the leases' validity. Our Controlling Shareholders have under the Deed of Indemnity agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of such non-compliances.

EMPLOYEES

As at 31 December 2016, 2017 and 2018 and up to the Latest Practicable Date, we had a total of 1,429, 1,253, 1,045 and 1,015 employees, respectively (including both full time and part time employees). Full time employees refer to employees whose remuneration are based on basic monthly salaries subject to adjustment in relation to overtime pay and no pay leave. Part time employees refer to employees whose remuneration are calculated on an hourly basis.

The following table sets forth a breakdown of the number of employees by function as at 31 December 2016, 2017 and 2018 and up to the Latest Practicable Date.

	As at 31 December			As at the Latest Practicable Date
	2016	**2017**	**2018**	
Administration and human resources	69	64	57	53
Finance and legal	26	24	20	20
Management and officer	6	6	6	6
Information technology Management	15	13	11	10
Product design and development	97	90	76	82
Production	1,025	893	707	658
Quality assurance and control	16	15	12	11
Supply chain	114	99	95	92
Sales and marketing	21	22	25	23
Warehouse	40	27	36	36
Total	1,429	1,253	1,045	991
Full time	1,428	1,252	1,044	990
Part time	1	1	1	1

We aim to foster an amicable and motivating environment to enhance our employees' incentives and loyalty to our Group. Our human resources department recruit our employees through employment agent and online recruitment platform, they set out a recruitment plan at the beginning of each year after gathering information about manpower from different departments. We also provide regular training to all of our employees to improve their skills and enhance their technical knowhow as well as their knowledge on relevant product quality standards and work safety.

In accordance with the applicable laws and regulations in the PRC, we make contributions to social security scheme and housing provident fund for our employees. As advised by our PRC Legal Advisers, according to the confirmations received from the relevant authorities and to the best of their knowledge, we have been in compliance in all material respects with applicable employment laws during the Track Record Period, save for matters as disclosed in the paragraph headed "Legal compliance" in this section.

Our Directors confirm that we had not experienced any significant problem or dispute with our employees or suffered disruptions which has material adverse effect on our business operations during the Track Record Period.

TRANSFER PRICING ARRANGEMENT

Our Group's major intra-group transactions were the tangible goods buy-sell transactions. All of our manufacturing activities are undertaken by GP1 and GP2, while the sales, marketing and other administrative activities are principally undertaken by GPM, GPE, GPC, GPL HK, BBM APS, and BBM GMBH. Depending on the brands of products and customers' location, GP1 and GP2 produce the products and sell to (i) GPC for on-going sales to PRC customers and (ii) GPM for sales to customers in Hong Kong and overseas or its related parties, including GPE and GPL HK. GPE further sells the products to customers mainly located in Europe; while for GPL HK, it sells the products (mainly licensed brand products) either to unrelated distributors or to BBM APS. BBM APS then mainly sells the products to customers in Europe, either via BBM GmbH or by itself directly. To summarise, GPC, GPM, GPL HK, GPE, BBM APS and BBM GMBH are our Group's principal entities dealing with unrelated customers and they are responsible for the pricing decisions for such sales. Details of our transfer pricing arrangement are set out forth in the section headed "Financial information — Transfer pricing" in this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have observed the transfer pricing laws and regulations of the relevant jurisdictions and we were not aware of any inquiries, audit or investigation by any tax authority in Hong Kong, the PRC, Denmark and Germany as at the Latest Practicable Date with respect to the intra-group transactions. Based on the above, our Directors consider that the group entities involved in the intra-group transactions during the Track Record Period had achieved reasonable profits range and have complied with the arm's length principle.

HEDGING

Our Group is exposed to currency risks for transactions conducted in currency other than HKD, our Group's financial reporting currency. During the Trade Record Period, most of our Group's sales were settled in USD and RMB, whilst most of cost of sales were settled in RMB. During the Track Record Period and up to the Latest Practicable Date, our Group did not enter into any hedging transactions against currency risks or interest rate risks.

LEGAL COMPLIANCE

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, our Directors confirm that (i) we had complied with the regulatory requirements applicable to us in the jurisdictions where we operate in all material respects and there was no non-compliance incident the nature of which was material or systemic; and (ii) we had obtained all material permits, certificates and licences for our operations.

The table below sets forth particulars of our non-compliance incidents under the relevant PRC regulatory requirements during the Track Record Period and as at the Latest Practicable Date:

Entities	Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
GPC, GP1 and GP2	During the Track Record Period and up to March 2018, we failed to make social insurance contributions and housing provident fund contributions in full as required by PRC laws and regulations. We estimate that the aggregate amount of social insurance contribution and housing provident fund contributions that GP1 and GPC did not pay during the years ended 31 December 2016, 2017 and 2018 was approximately RMB0.6 million, RMB1.5 million and RMB0.03 million, while that for GP2 was approximately RMB1.4 million, RMB1.2 million and RMB0.1 million, respectively.	These non-compliances were not wilful but was due to our staff of our human resources department were not familiar with the relevant regulatory requirement.	Our PRC Legal Advisers have advised us that, under PRC laws and regulations, we might be subject to fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period of time and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social security fund contribution.	We have since March 2018 made social insurance contributions and housing provident fund contributions in full in accordance with PRC laws and regulations. We have obtained compliance certificates from competent governmental authorities confirming that we had not been penalised for violation of PRC laws with respect to social security funds and housing provident funds during the Track Record Period. Our PRC Legal Advisers have advised us that the risk of GP1 and GPC being fined for failing to make social security fund and housing provident fund contributions in full amount is low while that for GP2 is remote. In this connection, we have made provision in the amount of RMB1.0 million in respect of the non-compliances of GP1 and GPC based on the likelihood of being fined as set out above.

Entities	Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
				Our Controlling Shareholders have under the Deed of Indemnity agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of such non-compliances.
			Our PRC Legal Advisers have advised us that, if any competent government authority is of the view that the housing provident fund contributions we made did not satisfy the requirements under relevant PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period of time.	In light of the foregoing, and given the remedies and rectification measures taken, our Directors are of the view that this non-compliance incident has no material impact on our operations and is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any litigation, arbitration, bankruptcy or receivership proceedings or claim of material importance, and there was no litigation, arbitration, bankruptcy or receivership proceedings or claim of material importance pending or threatened against us, which to the best knowledge and belief of our Directors, would have a material and adverse effect on our business, operations or financial condition.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made sales of our bag and luggage products, either through direct sales effort or sales by distributors, to certain Countries subject to International Sanctions, including Egypt, Iraq, Lebanon, Russia, the Balkans, Ukraine and Venezuela. Our revenue derived from sales to these customers amounted to approximately HK$10.5 million, HK$14.6 million and HK$18.1 million, respectively, representing approximately 1.7%, 2.2% and 2.7% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Further details are set forth in the section headed "Risk factors — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the EU, the United Nations, Australia and other relevant sanctions authorities" in this prospectus.

As advised by our International Sanctions and U.S. Legal Advisers after performing the procedures set out below, our activities during the Track Record Period do not implicate restrictions under International Sanctions. Further, given the scope of our Share Offer and the expected use of proceeds as set out in this prospectus, our International Sanctions and U.S. Legal Advisers are of the view that the involvement by parties in the Share Offer will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, and shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the Share Offer and accordingly, the sanction risk exposure for our Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

Hogan Lovells, our International Sanctions and U.S. Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

(a) reviewed documents provided by us about our Group, our business operations, revenues, sales contracts, customer lists, subsidiaries, branches, sales offices and representatives where applicable, ownership structure and management;

(b) reviewed our list of customers in Countries subject to International Sanctions during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that none of these customers is on such lists; and

(c) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

Our Directors confirm that we have not been notified of that any International Sanctions will be imposed on us for our sales and/or deliveries to the Countries subject to International Sanctions during the Track Record Period. None of the counterparties located in Egypt, Iraq, Lebanon, Russia, the Balkans, Ukraine and Venezuela are specifically identified on the SDN List or other restricted parties lists maintained by the EU, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

INTERNAL CONTROL

In preparation for the Listing in Hong Kong, in November 2017, we engaged an independent internal control adviser, to perform a review of our Group's internal control system. Our internal control adviser is a company providing services in internal control review, which has been previously engaged in internal control review projects for listing applicants to the Stock Exchange. Upon completion of the review, the major factual findings in regard to the internal controls were reported and improvement recommendations were proposed to our Company as followed:

Internal control review findings	Improvement recommendations
Our Group did not fulfill the obligation of employers to furnish employee information to the IRD.	Our Group's management should prepare and submit employee information to the IRD in a timely manner.
Our Group did not provide adequate social insurance coverage and housing provident fund for all our employees in PRC.	Our Group's management should ensure all new employees are enrolled into and covered by the social insurance and housing provident fund within thirty days of employment.

Internal control review findings	Improvement recommendations
Our Group did not maintain an appropriate control over software asset management in order to ensure a well-controlled environment for intellectual properties.	Our Group should, among others, maintain a register to record all purchased software licences and the associated licensing agreements.
Our Group did not properly maintain physical inventory count record.	Our Group should ensure that the physical inventory count record is properly signed and kept as written evidence of confirmation of the result of inventory count and a responsible personnel should be designated to sign off the inventory count records as evidence of review.
Our Group did not perform credit assessment for existing customers.	Our Group should perform credit assessment for existing customers on a regular basis and the results should be recorded and approved by the designated responsible personnel in writing.
Our Group did not maintain the written evidence of review on the annual financial budget and the monthly variance analysis between the budget and the actual operating results.	Our Group should designate a responsible personnel to sign-off the annual financial budget and monthly variance analysis as evidence of review and approval.

Our internal control adviser performed a second follow-up review in December 2018. Our Group did not have significant deficiencies in our internal control system upon the follow-up review.

View of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned internal control review findings would not affect the suitability of our executive Directors under Rule 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the internal control review findings, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the internal control review findings; (iii) there were no recurring of similar internal control review findings since the implementation of such measures; and (iv) the internal control review findings did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors. Furthermore, based on the internal control adviser's review and recommendations, our Group adopted the measures and policies to improve its internal control systems and to ensure its compliance with the Listing Rules and the relevant laws. Our internal control adviser performed their second follow-up review in December 2018 and during the course of the internal control follow-up review, there was no material deficiency of the internal control mechanism noted. In view of the above, our Directors believe, and the Sole Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of the internal control review findings.

*You should read the following discussion and analysis of our Group's financial position and results of operations together with our consolidated financial information as at 31 December 2016, 2017 and 2018 and for the years ended 31 December 2016, 2017 and 2018 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRS**"). Prospective investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.*

OVERVIEW

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. Our backpack and luggage products under such product portfolio are categorised into: (i) private label products; and (ii) branded products covering licensed brand products and proprietary *Ellehammer* brand products. These products catered to kid, teen, sports, leisure, business, travel and technical segments. According to the CIC Report, we ranked the eighth among the OEM, ODM and OBM companies headquartered in China for backpack and luggage products with a market share of approximately 0.71% based on our ex-factory revenue in 2018. The table below further explains our business model:

Product portfolio	**Business model adopted**
Private label products	OEM & ODM
Branded products	ODM for licensed brand products pursuant to the licensing arrangements with internationally renowned brand licensors, including Licensor A, Licensor B and Licensor C. OBM for proprietary *Ellehammer brand* products

Under the business models of ODM and OBM where our design and development capability would be required by our customers, our products are designed and developed by our product design and development team based on our own design concept and/or our customers' general concept or specifications. In some situations, our customers may provide their product designs for our product development.

During the Track Record Period, we generated revenue from the design, development, manufacture and sales of a diverse portfolio of backpack and luggage products. For the years ended 31 December 2016, 2017 and 2018, we recorded revenue of approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively, and total comprehensive income for the year of approximately HK$23.9 million, HK$30.8 million and HK$25.7 million, respectively. Excluding the impact of Listing expenses, our Group would have approximately HK$40.1 million profit for the year ended 31 December 2018.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 8 February 2018 and became the holding company of our Group pursuant to the Reorganisation completed on 12 October 2018. Details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus.

The financial information of our Group has been prepared by our Directors based on accounting policies which conform with HKFRS issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation and preparation as set out in notes 1.3 and 2.1 in the Accountant's Report contained in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out below:

Market competition

There is no specific market entry barrier for the backpack and luggage industry. The industry is highly competitive and quite fragmented and there is no dominant player in the industry. Competition from existing and new market players may exert pressure on the price of our products. If our Group fails to compete against the competitors in terms of product quality and pricing, our financial condition and results of operations would be materially and adversely affected.

Demand for our products

Our results of operations are heavily affected by the demand for our products from our customers. We recognise that our ability to maintain the popularity of our brands as well as to adjust our product portfolio to changing customers' taste and preference is vital to the success of our business. Our business may be affected by our ability to respond quickly to market trends and customers' taste and preference.

Fluctuations in the exchange rate

During the Track Record Period, our financial assets such as trade receivables were substantially denominated in HKD, USD and RMB. However, our financial liabilities such as trade payables were substantially denominated in USD and RMB. Our profit margins will be adversely affected if we are unable to increase the USD denominated selling price of our products or shift the exchange rate risk to our customers to account for the appreciation of the RMB against the USD.

We have not entered into any agreements to hedge our exchange rate exposure relating to any of these currencies and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future.

Cost of inventories sold and labour costs

Cost of inventories sold and labour costs are the major components of our costs of sales and have direct impact on our profitability. During the Track Record Period, cost of inventories sold accounted for approximately 81.2%, 81.5% and 82.4% of our total cost of sales, respectively, and labour cost accounted for approximately 15.0%, 14.7% and 13.8% of our total cost of sales, respectively.

Our ability to purchase raw materials from our suppliers at commercially reasonable prices directly affects our profitability. Our major raw materials include polyster fibre. Our Group did not engage in any hedging contracts on the material costs. However, any unexpected price fluctuations in our major materials may affect our financial results if we are unable to transfer the additional purchase costs to our customers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of inventories sold and labour costs on our profit before tax during the Track Record Period. According to the CIC Report, raw materials price index of polyster fibre and labour costs recorded a CAGR during the period between 2013 and 2018 of approximately (1.6)% and 4.6%, respectively. As such, our Group adopt a hypothetical fluctuation of 1.6% and 4.6% in performing the sensitivity analysis below:

Hypothetical fluctuation in the raw material costs				
(% change)	+1.6%	+4.6%	-1.6%	-4.6%
Change in profit before tax (HK$'000)				
For the year ended 31 December 2016	(2,359)	(6,783)	2,359	6,783
For the year ended 31 December 2017	(2,526)	(7,263)	2,526	7,263
For the year ended 31 December 2018	(2,159)	(6,208)	2,159	6,208
Hypothetical fluctuation in the labour costs				
(% change)	+1.6%	+4.6%	-1.6%	-4.6%
Change in profit before tax (HK$'000)				
For the year ended 31 December 2016	(1,219)	(3,505)	1,219	3,505
For the year ended 31 December 2017	(1,225)	(3,522)	1,225	3,522
For the year ended 31 December 2018	(1,161)	(3,338)	1,161	3,338

Seasonality factor

During the Track Record Period, we generally record higher sales in April to May, July and December. We believe that the higher sales is due to our customers' increase in demand to prepare for expected increase in retail sales during the school summer holiday and festive seasons such as Christmas and Easter holiday. The seasonal pattern in the spending behaviour of customers may affect the results of our operation. If we are unable to achieve the expected sales during our peak season, our business and results of operation will be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountant's Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgements, estimates and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 4 to the Accountant's Report set out in Appendix I to this prospectus.

ADOPTION OF HKFRS 9, HKFRS 15 AND HKFRS 16

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

We have adopted full retrospective application of HKFRS 9 and HKFRS 15, which have been consistently applied in the Track Record Period.

HKFRS 9 "Financial instruments" 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.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

HKFRS 9 affected the classification of financial assets at fair value through profit or loss in the consolidated statements of financial position. HKFRS 9 allowed the redesignation of financial assets and liabilities in the consolidated statements of financial position. This has resulted in reclassifications in relation to the investment in equity interest in a supplier. If HKAS 39 have been applied throughout the Track Record Period, financial asset at fair value through profit or loss of HK$1,226,000 as at 31 December 2016 would have been presented as available-for-sale financial assets.

HKFRS 15 affected the presentation of contract assets and contract liabilities in the consolidated statements of financial position. HKFRS 15 requires separate presentation of contract assets and contract liabilities in the consolidated statements of financial position. This has resulted in reclassifications in relation to the deposits received from customers in advance. As of 31 December 2016, 2017 and 2018, contract liabilities of HK$14,541,000, HK$7,995,000 and HK$1,995,000, respectively, would have been presented as deposits received from customers in advance if HKAS 18 have been applied throughout the Track Record Period.

We believe that the adoption of HKFRS 9 and HKFRS 15, as compared to the requirements of HKAS 18 and HKAS 39, did not have any significant impact on our financial position and performance during the Track Record Period.

HKFRS 16 "Leases" will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Pursuant to the transition provisions in HKFRS 16, we have adopted the new standard using simplified transition approach with effect from 1 January 2019. Therefore, the relevant impact has been disclosed in the paragraphs headed "Indebtedness" in this section.

RESULTS OF OPERATIONS

The following table sets out a summary of the results of our Group for the Track Record Period, derived from the Accountant's Report set out in Appendix I to this prospectus.

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	630,370	660,048	677,464
Cost of sales	(507,291)	(519,146)	(522,564)
Gross profit	123,079	140,902	154,900
Other income	1,106	1,076	839
Other gains, net	2,037	2,792	60
Selling and distribution expenses	(39,190)	(44,922)	(42,708)
Administrative expenses	(53,269)	(59,494)	(71,499)
Profits from operations	33,763	40,354	41,592
Finance income	604	854	1,343
Finance costs	(4,864)	(5,581)	(6,793)
Profit before income tax	29,503	35,627	36,142
Income tax expense	(4,885)	(7,298)	(9,023)
Profit for the year	24,618	28,329	27,119
Other comprehensive income/(loss)	(729)	2,519	(1,468)
Total comprehensive income for the year	23,889	30,848	25,651
Profit for the year (excluding Listing expenses)	24,618	30,250	40,114

Profit for the year (excluding Listing expenses) under non-HKFRS measure

During the Track Record Period, we recognised our Listing expenses in administrative expenses in the profit or loss. Such Listing expenses are non-recurring in nature, so we have made adjustment to exclude such expenses for the years presented for illustrative purpose (unaudited in nature). The profit for the year (excluding Listing expenses) is not a measure of performance under HKFRS.

As a non-HKFRS measure, the profit for the year (excluding Listing expenses) is presented because our management believes that such information will be helpful for investors in assessing the profit for the year by eliminating the effects of non-recurring Listing expenses. The use of profit for the year (excluding Listing expenses) has limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year and should not be considered in an isolated form, or as a substitute for an analysis of our financial results, performance or liquidity presented under HKFRS.

Revenue

During the Track Record Period, our revenue is generated from design, development, manufacture and sales of a diverse portfolio of backpack and luggage products. For the years ended 31 December 2016 and 2017 and 2018, our total revenue was approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively. The following table sets forth our total revenue, sales quantity and average selling price during the years indicated:

	For the year ended 31 December								
	2016			2017			2018		
	Revenue	Sales quantity	Average selling price	Revenue	Sales quantity	Average selling price	Revenue	Sales quantity	Average selling price
	HK$'000	*Unit '000*	*HK$/unit*	*HK$'000*	*Unit '000*	*HK$/unit*	*HK$'000*	*Unit '000*	*HK$/unit*
	630,370	12,096	52.1	660,048	13,441	49.1	677,464	12,251	55.3

Our revenue generated from sales of a diverse portfolio of backpack and luggage products increased throughout the Track Record Period and amounted to approximately HK$630.4 million, HK$660.0 million and HK$677.5 million, respectively. During the Track Record Period, the amount of discount to our customers were approximately HK$1.9 million, HK$2.0 million and HK$1.1 million, respectively, whilst no returns was recorded for the same periods.

Our revenue increased from approximately HK$630.4 million for the year ended 31 December 2016 to approximately HK$677.5 million for the year ended 31 December 2018, representing a CAGR of approximately 3.7%, while our quantity sold slightly increased from approximately 12.1 million units for the year ended 31 December 2016 to approximately 12.3 million units for the year ended 31 December 2018. Our average selling price decreased from approximately HK$52.1 per unit for the year ended 31 December 2016 to approximately HK$49.1 per unit for the year ended 31 December 2017 then increased to approximately HK$55.3 per unit for the year ended 31 December 2018 due to different mix of products sold.

Revenue by product categories

During the Track Record Period, the revenue from sales of goods derives from (i) backpack and others; and (ii) luggage. Backpack and others are our major revenue source, contributing approximately 55.5%, 59.1% and 56.4% of our total revenue for the years ended 31 December 2016 and 2017 and 2018, respectively. The following table sets forth a breakdown of our revenue by product categories during the Track Record Period:

	For the year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of total revenue	Average selling price	Sales Quantity	Revenue	Percentage of total revenue	Average selling price	Sales Quantity	Revenue	Percentage of total revenue	Average selling price	Sales Quantity
	HK$'000	*%*	*HK$*	*Unit'000*	*HK$'000*	*%*	*HK$*	*Unit'000*	*HK$'000*	*%*	*HK$*	*Unit'000*
Backpack and others	349,853	55.5	36.6	9,547	389,832	59.1	35.8	10,894	381,905	56.4	41.4	9,232
Luggage	280,517	44.5	110.0	2,549	270,216	40.9	106.1	2,547	295,559	43.6	97.9	3,019
	630,370	100.0		12,096	660,048	100.0		13,441	677,464	100.0		12,251

During the Track Record Period, our revenue generated from backpack and others amounted to approximately HK$349.9 million, HK$389.8 million and HK$381.9 million, representing approximately 55.5%, 59.1% and 56.4% of our total revenue, respectively. Our average selling price on backpack and others was approximately HK$36.6, HK$35.8 and HK$41.4 for the years ended 31 December 2016, 2017 and 2018, respectively. The fluctuation in average selling price was the combined effects of the decrease in cost of production as a result of technological advancement and the high selling price of certain products on new product collections.

During the year ended 31 December 2017, there was a downward adjustment on the unit price adjustment by approximately 27.0% on the medical bags sold to Customer E. Such decrease was mainly attributable to the decrease in production cost and selling price for medical bags as a result of the renovation of medical bag production facilities which streamlined the production and quality assurance process for cost saving, and thus we reduced our selling price for medical bags to increase our competitiveness. For the year ended 31 December 2018, the increase in average selling price on backpack and others was mainly due to new product collections with higher average selling price on both private label products and branded products.

The increase in revenue generated from sales of backpack and others from approximately HK$349.9 million for the year ended 31 December 2016 to approximately HK$389.8 million for the year ended 31 December 2017 was mainly because Customer C was in the process of developing a new collection of products to be launched in early 2017. Our sales to Customer C recorded a gradual sales recovery for the year ended 31 December 2017, which amounted to approximately HK$60.4 million, from approximately HK$45.9 million for the year ended 31 December 2016.

During the Track Record Period, our revenue generated from luggage amounted to approximately HK$280.5 million, HK$270.2 million and HK$295.6 million, representing approximately 44.5%, 40.9% and 43.6% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Our average selling price on luggage was approximately HK$110.0, HK$106.1 and HK$97.9 for the years ended 31 December 2016, 2017 and 2018, respectively. We recorded an increasing revenue generated from luggage but a decreasing average selling price for the year ended 31 December 2018, as there was an increasing demand from Customer A with the luggage ordered had a lower average selling price than branded products.

Revenue by product portfolio

During the Track Record Period, our brand portfolio comprises (i) private label products; and (ii) branded products, which including our proprietary *Ellehammer* brand. The following table sets forth our revenue by product portfolio for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label products	397,732	63.1	429,754	65.1	514,392	75.9
Branded products	232,638	36.9	230,294	34.9	163,072	24.1
– Licensed brand products	108,338	17.2	139,677	21.2	139,158	20.6
– *Ellehammer* brand products	124,300	19.7	90,617	13.7	23,914	3.5
	630,370	100.0	660,048	100.0	677,464	100.0

Private label products are produced and sold on OEM or ODM basis to the brand owners or their licensees. Our OEM customers would provide us with the specific design and our product design and development team would discuss with our customers for possible enhancements and improvements on the design. Whereas for our ODM customers, our customers would provide us with a general idea or concept for the type of products, product features or characteristics that they want and our product design and development team would design the products that fit into our customers' requirements. During the Track Record Period, approximately 63.1%, 65.1% and 75.9% of our total revenue was generated from the private label products.

During the Track Record Period, our branded products include our proprietary *Ellehammer* brand as well as licensed brand products. For our licensed brand products, we had licensing arrangements with brand licensors for the design, development, manufacturing and distribution of backpack and luggage under their brands. The licensing agreements provide that intellectual property rights concerning the final products that we produce belong to the licensors. Please refer to the paragraphs headed "Business — Licensing arrangements with licensors" in this prospectus for further details. During the Track Record Period, approximately 17.2%, 21.2% and 20.6% of our total revenue was generated from the sales of our licensed brand products.

Our proprietary *Ellehammer* brand offers backpack and luggage products targeting at the business and travel segments. During the Track Record Period, approximately 19.7%, 13.7% and 3.5% of our total revenue was generated from the sales of our proprietary *Ellehammer* brand products.

Revenue by customer type

During the Track Record Period, our customers include private label customers, distributors, wholesalers and retailers. We substantially derived our revenue from our private label customers. The following table sets forth our revenue breakdown by customer type for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label customers	397,732	63.1	429,754	65.1	514,392	75.9
Distributors	196,486	31.2	182,068	27.6	103,250	15.3
Wholesalers and retailers	36,152	5.7	48,226	7.3	59,822	8.8
	630,370	100.0	660,048	100.0	677,464	100.0

As illustrated in the above table, our private label customers accounted for majority of our total revenue for the years ended 31 December 2016, 2017 and 2018 at approximately 63.1%, 65.1% and 75.9%, respectively; while our distributors accounted for approximately 31.2%, 27.6% and 15.3% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Our wholesalers and retailers accounted for approximately 5.7%, 7.3% and 8.8% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. The increase in our revenue generated from private label customers from approximately HK$397.7 million for the year ended 31 December 2016 to approximately HK$514.4 million for the year ended 31 December 2018 was mainly due to the increase in demand for our products from our major customers. During the Track Record Period, Customer B was one of our major distributors and it contributed approximately 62.0%, 49.4% and 20.1% of our total revenue from distributors, respectively. The lower sales to distributors for the year ended 31 December 2018 compared with the year ended 31 December 2017 was mainly due to the decrease in demand from Customer B as the timeline of the loyalty programs launched by Customer B differed from year to year.

Revenue by geographical regions

During the Track Record Period, our sales was substantially derived in North America and Europe. The following table sets forth a breakdown of revenue by geographical regions during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
North America *(Note 1)*	265,535	42.1	285,820	43.3	327,902	48.4
Europe *(Note 2)*	248,699	39.5	250,338	37.9	230,979	34.1
The PRC	42,423	6.7	48,832	7.4	47,196	7.0
Middle East *(Note 3)*	36,543	5.8	28,855	4.4	20,710	3.0
Others *(Note 4)*	37,170	5.9	46,203	7.0	50,677	7.5
	630,370	100.0	660,048	100.0	677,464	100.0

Notes:

1. North America includes the U.S., Canada and Mexico.

2. Europe mainly includes Netherlands, Germany, Denmark and France.

3. Middle East mainly includes United Arab Emirates and Saudi Arabia.

4. Others mainly include Singapore, South Korea, Australia, Philippines, Peru and Chile.

During the Track Record Period, our revenue generated in North America as a proportion of our total revenue amounted to approximately 42.1%, 43.3% and 48.4%, respectively, while our revenue generated in Europe amounted to approximately 39.5%, 37.9% and 34.1%, respectively. In particular, revenue generated in the U.S. amounted to approximately HK$253.2 million, HK$261.7 million and HK$302.0 million, which represented approximately 40.2% and 39.6% and 44.6% of the total revenue of our Group for the years ended 31 December 2016, 2017 and 2018, respectively. The increase in revenue from North America during the Track Record Period was mainly due to the increase in sales to Customer A from approximately HK$179.8 million for the year ended 31 December 2016 to approximately HK$222.1 million for the year ended 31 December 2018.

Cost of sales

During the Track Record Period, our cost of sales consisted of (i) cost of inventories sold; (ii) labour costs; (iii) transportation and freight charges; (iv) rent and rates; and (v) depreciation. The following table sets forth the components of cost of sales and the percentage contraction to total cost of sales during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$'000	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*
Cost of inventories sold	411,942	81.2	423,237	81.5	430,244	82.4
– Cost of finished goods	241,177	47.5	238,152	45.9	257,048	49.2
– Cost of raw materials	147,461	29.1	157,902	30.4	134,963	25.8
– Subcontracting charges	18,501	3.6	22,298	4.3	34,749	6.7
– Others[(Note)]	4,803	0.9	4,885	0.9	3,484	0.7
Labour costs	76,191	15.0	76,571	14.7	72,575	13.8
Transportation and freight charges	11,329	2.2	11,991	2.3	11,788	2.3
Rent and rates	4,231	0.8	4,415	0.9	5,013	0.9
Depreciation	3,598	0.7	2,931	0.6	2,944	0.6
	507,291	100.0	519,146	100.0	522,564	100.0

Note: Others mainly include molding charges, packing charges and utilities.

Cost of inventories sold

Our cost of inventories sold represented the largest component of our cost of sales, accounting for approximately 81.2%, 81.5% and 82.4% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively. Our largest cost component remained relatively stable throughout the Track Record Period, in terms of percentage of its cost to our cost of sales. Our cost of inventories sold mainly comprise cost of finished goods, cost of raw materials and subcontracting charges.

Subcontracting charges represented the sum we paid to subcontractors under on-site and off-site subcontracting arrangements. Under on-site subcontracting arrangement, our subcontractors arrange for its workers to conduct the designated production processes on-site at our production facilities. For off-site subcontracting arrangement, our subcontractors manufacture our ordered products or conduct the designated production processes at their own production facilities. We may subcontract the entire or part of the production process to our subcontractors under off-site subcontracting arrangements.

Our subcontracting charges amounted to approximately HK$18.5 million, HK$22.3 million and HK$34.7 million for the years ended 2016, 2017 and 2018, respectively. Throughout the Track Record Period, our cost of raw materials amounted to approximately HK$147.5 million, HK$157.9 million and HK$135.0 million, respectively; while our cost of finished goods amounted to approximately HK$241.2 million, HK$238.2 million and HK$257.0 million, respectively.

Labour costs

Our labour costs consist of wages and benefits of our employees and staff engaged in production activities which accounted for approximately 15.0%, 14.7% and 13.8% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively.

Transportation and freight charges

Our transportation and freight charges amounted for approximately 2.2%, 2.3% and 2.3% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively, which mainly represent the fee incurred for raw materials procurement and delivery to subcontractors.

Rent and rates

Our rent and rates accounted for approximately 0.8%, 0.9% and 0.9% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018 respectively, which relate to the factory rented by our Group in the PRC.

Depreciation

Depreciation accounted for approximately 0.7%, 0.6% and 0.6% of our total cost of sales for the years ended 31 December 2016, 2017 and 2018 respectively, which are related to our land and buildings, leasehold improvements, motor vehicles, machinery, fixtures, furniture and office equipment for our production purpose.

Gross profit and gross profit margin

Our gross profit was approximately HK$123.1 million, HK$140.9 million and HK$154.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. During the same period, our Group recorded an overall gross profit margin of approximately 19.5%, 21.3% and 22.9%, respectively.

For the branded products, we set the selling price for our products taking into consideration a number of factors, including market demand, retail price of similar products in the market, cost of raw materials and labour, product brands, product life cycle, the order quantity of the distributors and consumption behaviour as well as business relationship with the distributors.

As for our private label customers, we offer our price quotations to customers on a case-by-case basis based on our negotiation with our customers. We provide our price quotations taking into account a number of factors, including the order volume, the reputation of our customers and our relationship with the customers.

Gross profit and gross profit margin by product categories

The following table sets forth the breakdown of gross profit and gross profit margin of our Group by product categories for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Backpack and others	87,625	25.0	101,248	26.0	107,361	28.1
Luggage	35,454	12.6	39,654	14.7	47,539	16.1
	123,079	19.5	140,902	21.3	154,900	22.9

During the Track Record Period, our gross profit generated from backpack and others amounted to approximately HK$87.6 million, HK$101.2 million and HK$107.4 million, respectively; while our gross profit generated from luggage amounted to approximately HK$35.5 million, HK$39.7 million and HK$47.5 million, respectively. During the Track Record Period, our gross profit margin for backpack and others was approximately 25.0%, 26.0% and 28.1%, respectively; while our gross profit margin for luggage was approximately 12.6%, 14.7% and 16.1%, respectively.

The increase in gross profit on backpack and others for the year ended 31 December 2017 was mainly attributable to the growth in the sales to Customer C after the launch of their new product collection. The increase in gross profit on luggage for the year ended 31 December 2018 was mainly attributable to the increase in revenue generated from Customer A as there was an increasing demand for new products. The growth in the overall gross profit margin during the Track Record Period was mainly attributable to the increased gross profit margin of our branded products which our Directors consider was attributable to (i) the better pricing of our branded products manufactured at a lower cost as a result of our research and development efforts; and (ii) we were able to secure a more competitive prices over the similar items purchased from our suppliers.

Gross profit and gross profit margin by product portfolio

The following table below sets forth the breakdown of gross profit and gross profit margin by product portfolio for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label products	47,670	12.0	47,887	11.1	75,572	14.7
Branded products	75,409	32.4	93,015	40.4	79,328	48.6
– Licensed brand products	47,954	44.3	68,390	49.0	72,536	52.1
– *Ellehammer* brand products	27,455	22.1	24,625	27.2	6,792	28.4
Total	123,079	19.5	140,902	21.3	154,900	22.9

During the Track Record Period, our gross profit for our private label products amounted to approximately HK$47.7 million, HK$47.9 million and HK$75.6 million, respectively; while our gross profit for our branded products amounted to approximately HK$75.4 million, HK$93.0 million and HK$79.3 million, respectively. During the Track Record Period, our gross profit margin for our private label products was approximately 12.0%, 11.1% and 14.7%, respectively; while our gross profit margin for our branded products was approximately 32.4%, 40.4% and 48.6%, respectively. We achieved the highest gross profit margin on licensed brand products because the products were sold directly to the distributors instead of brand owners at a higher selling price with our manufacturing know-how to enable a lower cost.

Gross profit and gross profit margin by customer type

The following table sets forth the breakdown of gross profit and gross profit margin of our Group by customer type for the years indicated:

	For the year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private label customers	47,670	12.0	47,887	11.1	75,572	14.7
Distributors	54,219	27.6	62,991	34.6	49,916	48.3
Wholesalers and retailers	21,190	58.6	30,024	62.3	29,412	49.2
	123,079	19.5	140,902	21.3	154,900	22.9

During the Track Record Period, the gross profit generated from our private label customers was approximately HK$47.7 million, HK$47.9 million and HK$75.6 million, respectively; while the gross profit margin of our private label customers was approximately 12.0%, 11.1% and 14.7%, respectively. The increase in gross profit from private label customers for the year ended 31 December 2018 was mainly due to (i) the increase in revenue generated from Customer A by approximately HK$32.9 million and accordingly the gross profit increased by approximately HK$11.0 million as there was an increasing demand for new products with a higher gross profit margin and the depreciation of RMB against USD started from July 2018 as the Group's operation involves USD sales to customers and RMB purchases from suppliers and labour costs, in which the majority of sales to Customer A were made in the second half of 2018; (ii) the higher revenue generated from some major customers based in Europe mainly on luggage products with a relatively higher gross profit margin by approximately HK$33.6 million and accordingly the gross profit increased by approximately HK$9.3 million; and (iii) the increase in revenue generated from Customer I mainly on bags with new product collections by approximately HK$25.3 million and accordingly the gross profit increased by approximately HK$5.3 million.

During the Track Record Period, the gross profit generated from our distributors amounted to approximately HK$54.2 million, HK$63.0 million and HK$49.9 million, respectively; while our gross profit margin of our distributors amounted to approximately 27.6%, 34.6% and 48.3%, respectively. During the Track Record Period, Customer B was one of our major distributors and it contributed approximately 62.0%, 49.4% and 20.1% of our total revenue from distributors, respectively. We recorded a relatively low gross profit margin from Customer B as we only sold our proprietary *Ellehammer* brand products to them while we were selling other licensed brand products to other distributors with a higher gross profit margin due to the different pricing policy on different brands and sales channels. The gross profit margin of distributors increased during the Track Record Period in line with the lower revenue contribution from Customer B.

During the Track Record Period, the gross profit generated from our wholesalers and retailers amounted to approximately HK$21.2 million, HK$30.0 million and HK$29.4 million, respectively, while the gross profit margin of our wholesalers and retailers was approximately 58.6%, 62.3% and 49.2%, respectively. The increase in the gross profit margin of our wholesalers and retailers was mainly attributable to the reinforcement in our own design, research and development capabilities which led to the achievement of lower cost through improved value engineering of our own products and better sourcing. The gross profit margin of wholesalers and retailers was subject to the mix of different branded products sold. The relatively lower gross profit margin for the year ended 31 December 2018 was the result of increased revenue contribution from Licensor A's products.

Other income

Our other income primarily comprised (i) finance income from late payment from customers; (ii) income from sales of scrap materials; and (iii) rental income. Our other income amounted to approximately HK$1.1 million, HK$1.1 million and HK$0.8 million for the years ended 31 December 2016, 2017 and 2018, respectively.

The following table sets forth the breakdown of our other income during the Track Record Period:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Finance income from late payment from customers	60	–	–
Income from sales of scrap materials *(Note)*	101	5	–
Rental income	726	955	756
Others	219	116	83
	1,106	1,076	839

Note: Scrap materials consisted of obsolete raw materials.

Other net gains

Our other net gains primarily comprised (i) gain on disposal of non-current asset held-for-sale; (ii) loss on disposal of financial assets at fair value through profit or loss; (iii) (loss)/gain on disposals of property, plant and equipment; and (iv) fair value gain on an investment property. Our other net gains amounted to approximately HK$2.0 million, HK$2.8 million and HK$0.1 million for the years ended 31 December 2016, 2017 and 2018, respectively. For the year ended 31 December 2017, our gain on disposal of non-current asset held-for-sale of approximately HK$2.4 million represents gain from disposal of a residential property in Hong Kong.

The following table set forth the breakdown of our other net gains during the Track Record Period:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Gain on disposal of non-current asset held-for-sale	–	2,437	–
Loss on disposal of financial assets at fair value through profit or loss	–	(98)	–
Gain/(loss) on disposals of property, plant and equipment	1,100	303	(40)
Fair value gain on an investment property	937	150	100
Total	2,037	2,792	60

Selling and distribution expenses

Selling and distribution expenses mainly represent (i) transportation and freight charges, (ii) amortisation of licence rights, (iii) royalty fees, (iv) marketing expenses, and (v) staff costs. For the years ended 31 December 2016, 2017 and 2018, our selling and distribution expenses maintained relatively stable which amounted to approximately HK$39.2 million, HK$44.9 million and HK$42.7 million, respectively. Throughout the Track Record Period, our Group maintained a relatively stable selling and distribution costs at approximately 6.2%, 6.8% and 6.3% of our Group's total revenue, respectively.

The table below shows the breakdown of selling and distribution expenses incurred by us for the years indicated:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	14,920	16,470	16,506
Transportation and freight charges	7,768	9,754	10,224
Amortisation of licence rights	8,933	8,978	9,571
Royalty fees	2,169	4,476	1,712
Marketing expenses	1,652	2,063	1,905
Others	3,748	3,181	2,790
Total	39,190	44,922	42,708

Our transportation and freight charges mainly represent the fee incurred delivering our finished products. Amortisation of licence rights represents our licence fees incurred throughout the licensing period. Royalty fees represent the royalty fee incurred in addition to the minimum royalty fee obligation for the use of our licensed brands to our licensed brand owners. Marketing expenses represent the marketing costs on advertising and promotional activities to extend our reach to potential buyers by participating in industry exhibitions. Staff costs mainly represent the salaries, wages, employee benefits and retirement benefit costs to our employees engaging in sales and marketing activities. Others mainly include product design and development costs (excluding staff costs), inspection fee, certificate and declaration fee.

Royalty fees is calculated and recognised based on the actual volume of products sold in excess of the minimum purchase requirements set out in the agreements with different licensors. During the Track Record Period, we incurred royalty fees of approximately HK$2.2 million, HK$4.5 million and HK$1.7 million, respectively. The higher royalty fees incurred for the year ended 31 December 2017 was mainly due to the increase in sales for Licensor A's products. For the year ended 31 December 2018, the decrease in royalty fees was mainly due to a higher minimum royalty requirement imposed by Licensor A, together with a decrease in revenue generated from Licensor A's products during the year.

Administrative expenses

Administrative expenses primarily comprise of (i) staff costs, (ii) Director's remuneration, (iii) legal and professional fee, (iv) rent and rates, (v) PRC tax, (vi) motor vehicle expenses, (vii) audit fee, (viii) IT expenses, (ix) bank charges, (x) depreciation; and (xi) Listing expenses. Our administrative expenses for the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK$53.3 million, HK$59.5 million and HK$71.5 million, respectively.

The table below shows the breakdown of administrative expenses incurred by us for the years indicated:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	26,596	30,269	29,140
Director's remuneration	10,283	7,583	6,031
Legal and professional fee	1,937	1,973	1,433
Rent and rates	2,211	2,598	2,461
PRC tax	2,704	3,074	2,185
Motor vehicle expenses	1,933	1,353	1,544
Audit fee	1,198	1,229	1,237
IT expenses	838	1,037	1,103
Depreciation	1,541	1,710	2,376
Listing expenses	–	1,921	12,995
Bank charges	2,500	2,163	2,673
Building management fee	680	1,270	1,264
Office supplies	959	1,039	845
Exchange difference	(4,261)	(2,240)	1,288
Entertainment	780	519	483
Telephone and telex	791	649	740
Water and electricity	433	532	485
Others	2,146	2,815	3,216
	53,269	59,494	71,499

For the years ended 31 December 2016 and 2017, our Group maintained relatively stable level of administrative expenses at approximately 8.5% and 9.0% of our Group's total revenue, respectively. For the year ended 31 December 2018, our Group recorded the administrative expenses at approximately 10.5% of our Group's total revenue due to an approximately HK$13.0 million of Listing expense incurred and an approximately HK$1.3 million exchange loss for the year ended 31 December 2018. The staff costs were the biggest component of our Group's total administrative expenses and they accounted for approximately 49.9%, 50.9% and 40.8% of our Group's total administrative expenses for the years ended 31 December 2016, 2017 and 2018, respectively. The increase in staff costs by approximately 13.8% for the year ended 31 December 2017 as compared to the staff costs for the year ended 31 December 2016 was mainly due to the increase of staff salaries and allowances during the year ended 31 December 2017. Our legal and professional fee mainly represents the company secretarial fee, tax consultation fee, general legal advise fee, trademark registration and valuation fees incurred during the Track Record Period.

Finance income

Finance income represents interest income from bank deposits and related companies. For the years ended 31 December 2016, 2017 and 2018, our finance income was approximately HK$0.6 million, HK$0.9 million and HK$1.3 million, respectively.

Finance costs

Finance costs mainly represent interest expenses on bank borrowings and bank overdraft. For the years ended 31 December 2016, 2017 and 2018, our finance costs were approximately HK$4.9 million, HK$5.6 million and HK$6.8 million, respectively.

Income tax expenses

Income tax expenses mainly represent the tax expense arising from the assessable profit generated by our Group in Hong Kong, the PRC, Denmark and Germany and deferred income tax charged or credited. Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

Hong Kong

Hong Kong profits tax has been provided for at the two tiered rate of 8.25% for the first HK$2 million of the estimated assessable profit for one of the Group's Hong Kong subsidiaries and 16.5% on the remaining estimated assessable profit for the year ended 31 December 2018. The Hong Kong subsidiaries are subject to tax rate of 16.5% for the years ended 31 December 2016 and 2017.

The PRC

Our PRC subsidiaries are subject to the China Enterprise Income Tax at the applicable enterprise income tax rate of 25% of the estimated assessable profits during the Track Record Period.

Denmark

Denmark corporate income tax is calculated at the applicable corporate income tax rate of 23%, 22% and 22% of the estimated assessable profits during the Track Record Period, respectively.

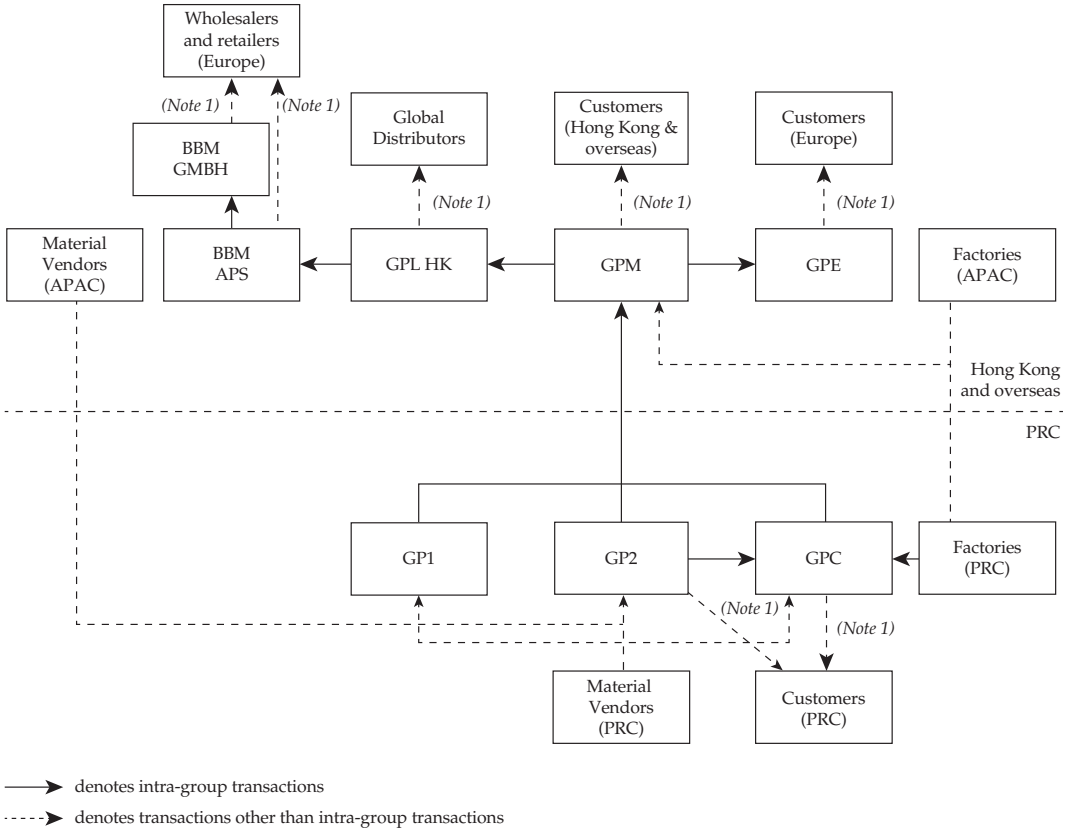
Germany

Germany profits tax is calculated at 28.425% of the estimated assessable profits for the Track Record Period.

For the years ended 31 December 2016, 2017 and 2018, our income tax expense amounted to approximately HK$4.9 million, HK$7.3 million and HK$9.0 million, respectively, while the effective tax rates for the corresponding years were approximately 16.6%, 20.5% and 25.0%, respectively. During the Track Record Period, our effective tax rates were relatively low compared to the statutory tax rates of the jurisdictions in which the Group operates. Our effective tax rate closed to the statutory tax rate in Hong Kong for the year ended 31 December 2016 as the majority of our profit was generated from Hong Kong. Our effective tax rate increased to approximately 20.5% for the year ended 31 December 2017 mainly due to (i) the increase in profit generated from the PRC subsidiaries as a result of their increasing profitability and (ii) the increase in non-tax deductible interest expenses of approximately HK$1.9 million during the year ended 31 December 2017. Our effective tax rate further increased to approximately 25.0% for the year ended 31 December 2018 as a result of the increase in non-tax deductible Listing expenses from approximately HK$1.9 million for the year ended 31 December 2017 to approximately HK$13.0 million for the year ended 31 December 2018.

Transfer pricing

Our Group's major intra-group transactions were the tangible goods buy-sell transactions. All of our manufacturing activities are undertaken by GP1 and GP2, while the sales, marketing and other administrative activities are principally undertaken by GPM, GPE, GPC, GPL HK, BBM APS, and BBM GMBH. Depending on the brands of products and customers' location, GP1 and GP2 produce the products and sell to (i) GPC for on-going sales mainly to PRC customers and (ii) GPM for sales to customers in Hong Kong and overseas or its related parties, including GPE and GPL HK. GPE further sells the products to customers mainly located in Europe; while for GPL HK, it sells the products (mainly licensed brand products) either to unrelated distributors or to BBM APS. BBM APS then mainly sells the products to customers in Europe, either via BBM GMBH or by itself directly. To summarise, GPC, GPM, GPL HK, GPE, BBM APS and BBM GMBH are our Group's principal entities dealing with unrelated customers and they are responsible for the pricing decisions for such sales. The following diagram sets forth our Group's typical transaction flow in respect of its buy-sell transactions:



Note:

1. Pricing policies and decisions in relation to third party customers are based on a variety of factors including market conditions, manufacturing costs, raw material costs, labour costs and volume of customers' purchases. We apply the same pricing policy to all our customers including private label customers and branded customers.

In order to deal with different customers from different geographical markets for different product categories, our Group set up entities in different geographical locations.

To summarize:

- GP1 and GP2 are our Group's principal manufacturing facilities;
- GPL HK is engaged in the licensing business for sales and distribution of branded products on a global basis via third party distributors;
- BBM APS and BBM GMBH are engaged in the self-operated distribution of branded products mainly in Europe and other German-speaking countries (e.g. Germany, Switzerland and Austria) respectively;
- GPC is a trading company which handles domestic sales of private label products and branded products in the PRC;
- GPE is engaged in the trading of private label products mainly with local customers in Europe; and
- GPM is engaged in the trading of private label products with customers in Hong Kong and overseas.

Among these Group's entities, GPM acts as the Group's headquarter. It centralizes sales orders received by our relevant Group entities from different customers, except local sales in the PRC.

Depending on the technical specifications of the products and the production capacity of the manufacturing facilities, the management at GPM would decide as to which production subsidiary, GP1 or GP2 would manufacture the products. In many occasions, GPM would also outsource the production to independent subcontractors. Our Directors consider that such arrangement would enhance both cost effectiveness and operation efficiencies of our business.

With a view to manage the licensing arrangement effectively, our Group appoints GPL HK and GPL APS as our major licence holders which enters into licensing agreements with unrelated brand licensors. All the licensed brand orders would be centrally managed by GPL HK after GPM performing its sourcing function as abovementioned. Then, depending on the location and the identity of the customers, sales would further be handled either by GPL HK itself, BBM APS or BBM GMBH. This arrangement allows our Group establish our distribution networks to penetrate into different markets in a more expedient and cost-effective manner.

Our transfer pricing policies were reviewed from time to time to ensure that the intra-group buy-sell transactions comply with the arm's length principle and all the Group's entities are compensated for their functions undertaken and their risks assumed.

Our PRC operating entities have obtained tax clearance confirmations from the relevant national and local tax authorities. As advised by our PRC Legal Advisers, based on the relevant confirmations issued by the competent local tax authorities, during the Track Record Period, no material penalty had been imposed on any tax related unlawful acts of GP1, GP2 and GPC.

Although neither the tax authorities in Hong Kong nor in the PRC have raised any questions on our Group's transfer pricing arrangements as at the Latest Practicable Date, our Group has engaged Mazars Tax Services Limited (the "**Transfer Pricing Adviser**"), an independent adviser on transfer pricing, which has conducted review in February 2019 as to whether our cross border transfer pricing practice during the Track Record Period was in line with the arm's length principle. According to the Organisation for Economic Co-operation and Development Transfer Pricing Guidelines (the "**OECD Transfer Pricing Guidelines**"), all related party transactions should be transacted in accordance with the arm's length principle. This proposition is adopted by tax administrations around the world, including that of Hong Kong, the PRC, Denmark and Germany.

During the review process, the Transfer Pricing Adviser interviewed our Group's management to understand the operation, value chain and the pricing policy, reviewed the transfer pricing documentation, the relevant agreement and documents as well as the information made available in the transfer pricing database. Based on the review performed by the Transfer Pricing Adviser in accordance with the OECD Transfer Pricing Guidelines, the Transfer Pricing Adviser is of the view that the intra-group goods buy-sell transactions during the Track Record Period are in accordance with the arm's length principle.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATION

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

Our revenue increased by approximately HK$17.5 million or approximately 2.6% from approximately HK$660.0 million for the year ended 31 December 2017 to approximately HK$677.5 million for the year ended 31 December 2018. Such increase was mainly due to new product collections with higher average selling price on both private label products and branded products.

Cost of sales

Our cost of sales increased by approximately HK$3.5 million or approximately 0.7% from approximately HK$519.1 million for the year ended 31 December 2017 to approximately HK$522.6 million for the year ended 31 December 2018. Such increase was mainly due to the increase in cost of finished goods which was in line with our increased revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK$14.0 million or approximately 9.9% from approximately HK$140.9 million for the year ended 31 December 2017 to approximately HK$154.9 million for the year ended 31 December 2018. Our overall gross profit margin increased from approximately 21.3% for the year ended 31 December 2017 to approximately 22.9% for the year ended 31 December 2018. The improvement of gross profit margin was mainly driven up by the increased gross profit margin on private label products and branded products.

Other income

Our other income amounted to approximately HK$1.1 million and HK$0.8 million for the years ended 31 December 2017 and 2018, respectively.

Other net gains

Our other net gains decreased from approximately HK$2.8 million for the year ended 31 December 2017 to approximately HK$0.1 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in gain on disposal of non-current assets held-for-sale of approximately HK$2.4 million from the disposal of a residential property in Hong Kong.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$2.2 million from approximately HK$44.9 million for the year ended 31 December 2017 to HK$42.7 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in royalty fees of approximately HK$2.8 million as a result of a higher minimum royalty requirement imposed by Licensor A, together with a decrease in revenue generated from Licensor A's products during the year.

Administrative expenses

Our administrative expenses increased by approximately HK$12.0 million from approximately HK$59.5 million for the year ended 31 December 2017 to approximately HK$71.5 million for the year ended 31 December 2018. Such increase was primarily due to (i) the approximately HK$13.0 million of Listing expenses incurred for the year ended 31 December 2018 and (ii) the exchange losses incurred of approximately HK$1.3 million for the year ended 31 December 2018.

Finance income

Our finance income increased by approximately HK$0.4 million from approximately HK$0.9 million for the year ended 31 December 2017 to approximately HK$1.3 million for the year ended 31 December 2018.

Finance costs

Our finance costs increased by approximately HK$1.2 million from approximately HK$5.6 million for the year ended 31 December 2017 to approximately HK$6.8 million for the year ended 31 December 2018. Such increase was in line with the increased bank and other borrowings.

Income tax expense

Our income tax expense increased by approximately HK$1.7 million from approximately HK$7.3 million for the year ended 31 December 2017 to approximately HK$9.0 million for the year ended 31 December 2018. Our effective tax rate increased from approximately 20.5% for the year ended 31 December 2017 to approximately 25.0% for the year ended 31 December 2018 mainly due to the impact of non-tax deductible Listing expenses of approximately HK$13.0 million.

Profit for the period and net profit margin

As a result of the above factors, we recorded approximately HK$28.3 million and HK$27.1 million of profit for the period for the years ended 31 December 2017 and 2018, respectively. Such decrease of profit was mainly attributable to the approximately HK$13.0 million of Listing expenses incurred for the year ended 31 December 2018. Our net profit margin remained relatively stable at approximately 4.3% and 4.0% for the year ended 31 December 2017 and 2018, respectively.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately HK$29.6 million or approximately 4.7% from approximately HK$630.4 million for the year ended 31 December 2016 to approximately HK$660.0 million for the year ended 31 December 2017. Such increase was primarily due to the combined effect of (i) increase in our product quantity sold by approximately 1.3 million units, which was due to the increase in demand from our customers; (ii) the average selling price slightly decreased from HK$52.1 per unit for the year ended 31 December 2016 to HK$49.1 per unit for the year ended 31 December 2017 as a result of different mix of products sold; (iii) approximately HK$14.5 million increase of sales to Customer C as a result of the launch of a new collection of products developed by Customer C in 2016; and (iv) the approximately HK$20.3 million increase in the sales on Licensor B's products mainly arising from the new distributors introduced in late 2016 and early 2017.

Cost of sales

Our cost of sales increased by approximately HK$11.8 million or approximately 2.3% from approximately HK$507.3 million for the year ended 31 December 2016 to approximately HK$519.1 million for the year ended 31 December 2017. Such increase was primarily due to the increase in our cost of inventories sold of approximately HK$11.3 million as a result of increase in costs of raw materials due to increase in quantity sold for the year ended 31 December 2017.

Gross profit and gross profit margin

As a result of foregoing, our gross profit increased by approximately HK$17.8 million or approximately 14.5% from approximately HK$123.1 million for the year ended 31 December 2016 to approximately HK$140.9 million for the year ended 31 December 2017. Our overall gross profit margin maintained relatively stable at approximately 19.5% for the year ended 31 December 2016, as compared with approximately 21.3% for the year ended 31 December 2017. Such slight increase in our gross profit margin was mainly due to the increase in gross profit margin of our licensed brand products from approximately 44.3% for the year ended 31 December 2016 to approximately 49.0% for the year ended 31 December 2017 which our Directors consider was attributable to (i) the better pricing of our branded products manufactured at a lower cost as a result of our research and development efforts; and (ii) we were able to secure a more competitive prices over the similar items purchased from our suppliers. While the increase in our sales of licensed brand products was mainly attributable to the increase in the sales on Licensor B's products arising from the new distributors introduced in late 2016 and early 2017. Therefore, our gross profit margin for the year ended 31 December 2017 was driven up by the higher revenue contribution form licensed brand products of approximately 17.2% for the year ended 31 December 2016 to approximately 21.2% for the year ended 31 December 2017.

Other income

Our other income remained stable at approximately HK$1.1 million for the year ended 31 December 2016 and the year ended 31 December 2017.

Other net gains

Our other net gains increased from approximately HK$2.0 million for the year ended 31 December 2016 to approximately HK$2.8 million for the year ended 31 December 2017. Such increase was primarily due to the increase in gain on disposal of non-current asset held-for-sales of approximately HK$2.4 million from the disposal of a residential property in Hong Kong.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 14.5% from approximately HK$39.2 million for the year ended 31 December 2016, to approximately HK$44.9 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in (i) transportation and freight charges of approximately HK$2.0 million as a result of increase in quantity sold; and (ii) royalty fee of approximately HK$2.3 million as a result of increase in our sales of licensed brand products during the year ended 31 December 2017. Our Group maintained a stable level of selling and distribution expenses at approximately 6.2% and 6.8% of our Group's total revenue for each of the years ended 31 December 2016 and 2017, respectively.

Administrative expenses

Our administrative expenses increased by approximately HK$6.2 million or approximately 11.6% from approximately HK$53.3 million for the year ended 31 December 2016 to approximately HK$59.5 million for the year ended 31 December 2017. Such increase was primarily due to the increase in staff cost of approximately HK$3.7 million as a result of the increase of staff salaries and allowance during the year ended 31 December 2017. Our Group maintained a stable level of administrative expenses at approximately 8.5% and 9.0% of our Group's total revenue for each of the years ended 31 December 2016 and 2017, respectively.

Finance income

Our finance income increased from approximately HK$0.6 million for the year ended 31 December 2016 to approximately HK$0.9 million for the year ended 31 December 2017. Such increase was primarily due to the increase in interest income from our pledged bank deposits of approximately HK$0.6 million.

Finance costs

Our finance costs increased by approximately 14.3% from approximately HK$4.9 million for the year ended 31 December 2016 to approximately HK$5.6 million for the year ended 31 December 2017. Such increase was primarily due to the increase in our bank overdraft and bank and other borrowings by approximately HK$8.0 million.

Income tax expense

Our income tax expense increased by approximately 49.0% from approximately HK$4.9 million for the year ended 31 December 2016 to approximately HK$7.3 million for the year ended 31 December 2017. Such increase was primarily attributable to the increase in our profit before tax by approximately 20.8%. Our effective income tax rate of our Group increased to approximately 20.5% for the year ended 31 December 2017 from approximately 16.6% for the year ended 31 December 2016 mainly due to the increase in profit generated from the PRC subsidiaries with an applicable enterprise income tax rate of 25% of the estimated assessable profit.

Profit for the year and net profit margin

As a result of the above factors, our profit for the year increased by approximately 15.0% from approximately HK$24.6 million for the year ended 31 December 2016 to approximately HK$28.3 million for the year ended 31 December 2017. Our net profit margin remained stable at approximately 3.9% and 4.3% for the years ended 31 December 2016 and 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have been, and are expected to continue to be, cash generated from our operations and borrowings. Our primary uses of cash have been, and are expected to continue to be, for the funding of required working capital to support an increase in our scale of operations. Upon completion of the Share Offer, our Directors expect that our source of funds will be a combination of cash generated from our operation and net proceeds from the Share Offer, and we may also rely on debt financing, if necessary.

Cash flows

The following table is a condensed summary of our consolidated statements of cash flows for the years indicated:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	48,553	42,670	15,980
Net cash used in investing activities	(35,569)	(41,822)	(23,910)
Net cash generated from/(used in) financing activities	(16,522)	(2,481)	616
Net decrease in cash and cash equivalents	(3,538)	(1,633)	(7,314)
Cash and cash equivalents at the beginning of the year	12,105	8,978	5,749
Exchange differences	411	(1,596)	2,173
Cash and cash equivalents at the end of the year	8,978	5,749	608

Net cash generated from operating activities

Net cash flows from operating activities primarily consist of our profit before tax, adjusted by non-cash and non-operating items, such as depreciation of property, plant and equipment, amortisation of intangible assets and prepaid lease payments, interest income, finance cost and the effect of changes in working capital.

Our cash inflow generated from operating activities is primarily derived from the sales of our products, whereas our cash outflow for operating activities mainly related to purchase of raw material and finished goods, labour costs and related costs used in production.

For the year ended 31 December 2018, our net cash generated from operating activities amounted to approximately HK$16.0 million, while our net cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital amounted to approximately HK$56.5 million. The difference of approximately HK$40.5 million was mainly due to (i) increase in trade and other receivables of approximately HK$45.4 million; and (ii) decrease in inventories of approximately HK$26.6 million.

For the year ended 31 December 2017, our net cash generated from operating activities amounted to approximately HK$42.7 million, while our cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital amounted to approximately HK$51.2 million. The difference of approximately HK$8.5 million was mainly due to (i) increase in trade and other receivables of approximately HK$31.6 million; and (ii) increase in trade and other payables of approximately HK$28.1 million.

For the year ended 31 December 2016, our net cash generated from operating activities amounted to approximately HK$48.6 million, while our cash inflow from operating activities after adjusting for non-cash and non-operating items but before movements in working capital amounted to approximately HK$46.1 million. The difference was mainly due to (i) decrease in licence fees payable of approximately HK$9.5 million, as a result of the renewal of licence, and (ii) decrease in our inventories of approximately HK$11.8 million.

Net cash used in investing activities

For the year ended 31 December 2018, our net cash used in investing activities amounted to approximately HK$23.9 million which was mainly related to (i) increase in amounts due from related companies of approximately HK$9.4 million; and (ii) increase in pledged deposits of approximately HK$6.0 million.

For the year ended 31 December 2017, our net cash used in investing activities amounted to approximately HK$41.8 million which was mainly related to (i) increase in amount due from the immediate holding company of approximately HK$23.2 million; (ii) purchase of key management insurance contract as financial asset at fair value through profit or loss of approximately HK$6.9 million; and (iii) increase in amounts due from related companies of approximately HK$6.9 million.

For the year ended 31 December 2016, our net cash used in investing activities amounted to approximately HK$35.6 million which was mainly related to (i) purchase of property, plant and equipment of approximately HK$5.6 million mainly for our leasehold improvements; (ii) increase in amount due from the immediate holding company of approximately HK$25.1 million; and (iii) increase in amounts due from related companies of approximately HK$6.1 million.

Net cash generated from/(used in) financing activities

For the year ended 31 December 2018, our net cash generated from financing activities amounted to approximately HK$0.6 million which was mainly related to (i) the proceeds from bank borrowings of approximately HK$199.8 million, (ii) the repayment of bank borrowings of approximately HK$189.0 million and (iii) the interest paid of approximately HK$6.1 million.

For the year ended 31 December 2017, our net cash used in financing activities amounted to approximately HK$2.5 million which was mainly related to (i) the repayment of bank borrowings of approximately HK$209.8 million; and (ii) the proceeds from bank borrowings of approximately HK$214.0 million.

For the year ended 31 December 2016, our net cash used in financing activities amounted to approximately HK$16.5 million which was mainly related to (i) the repayment of bank borrowings of approximately HK$188.4 million; and (ii) the proceeds from bank borrowing of approximately HK$177.2 million.

Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Inventories	61,507	57,865	30,038	40,480
Trade and other receivables	138,025	171,726	218,984	150,893
Amounts due from directors	4,963	7,704	7,739	6,123
Amount due from the ultimate holding company	–	–	5,798	4,406
Amounts due from related companies	14,997	21,877	31,295	32,150
Amount due from the immediate holding company	52,130	9,142	–	–
Tax recoverable	133	–	777	2,039
Pledged deposits	19,289	19,971	26,011	28,102
Cash at bank and on hand	20,893	21,523	17,631	7,622
	311,937	309,808	338,273	271,815
Non-current assets held-for-sale	6,563	–	–	–
Total current assets	318,500	309,808	338,273	271,815
Current liabilities				
Trade and other payables	157,505	192,464	199,039	171,132
Contract liabilities	14,541	7,995	1,995	4,652
Licence fees payable	9,219	10,377	11,761	11,285
Lease liabilities	–	–	–	3,034
Amount due to the immediate holding company	–	–	10,520	10,407
Amounts due to a related company	250	250	–	–
Obligations under finance leases	95	1,632	1,870	–
Bank overdraft	11,915	15,774	17,023	24,439
Bank and other borrowings	57,079	61,253	72,048	37,499
Tax payable	6,246	11,383	9,760	4,010
Total current liabilities	256,850	301,128	324,016	266,458
Net current assets	61,650	8,680	14,257	5,357

Our net current assets position decreased from approximately HK$61.7 million as at 31 December 2016 to approximately HK$8.7 million as at 31 December 2017, representing a decrease of approximately HK$53.0 million or approximately 85.9%. Such decrease was mainly attributable to (i) declaration of dividend of HK$40.0 million and (ii) the deemed distribution to the immediate holding company of approximately HK$35.2 million during the year ended 31 December 2017. Such dividend and deemed distribution were settled through crediting to the current account with the immediate holding company.

Our net current assets position increased from approximately HK$8.7 million as at 31 December 2017 to approximately HK$14.3 million as at 31 December 2018. Such increase was primarily due to the increase in trade and other receivables of approximately HK$47.3 million, and partially offset by the decrease in inventories of approximately HK$27.8 million and the increase in bank and other borrowings of approximately HK$10.8 million.

Our net current assets position decreased from approximately HK$14.3 million as at 31 December 2018 to approximately HK$5.4 million as at 30 April 2019 mainly due to the decrease in trade and other receivables of approximately HK$68.1 million, partially offset by the decrease in trade and other payables of approximately HK$27.9 million and the decrease in bank and other borrowings of approximately HK$34.5 million.

For further discussions on the fluctuations of the components of our current assets and current liabilities mentioned above, please refer to the paragraph headed "Discussion on selected balance sheet items" below.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, cash generated from our operation, and the estimated net proceeds to be received by us from the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated. As at 30 April 2019, being the latest practicable date for the indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we do not have any debt securities issued and outstanding or agreed to be issued, term loans, borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance leases, or hire purchase commitments, other material contingent liabilities or guarantees. Our Directors confirmed that we had not experienced any difficulties in obtaining or repaying of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Save as disclosed in this paragraph headed "Indebtedness" in this section, our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since

30 April 2019 and up to the Latest Practicable Date. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Non-current				
Lease liabilities	–	–	–	4,071
Obligations under finance leases	181	3,948	3,107	–
	181	3,948	3,107	4,071
Current				
Amount due to the immediate holding company	–	–	10,520	10,407
Amount due to a related company	250	250	–	–
Bank and other borrowings	57,079	61,253	72,048	37,499
Bank overdraft	11,915	15,774	17,023	24,439
Lease liabilities	–	–	–	3,034
Obligations under finance leases	95	1,632	1,870	–
	69,339	78,909	101,461	75,379
	69,520	82,857	104,568	79,450

Amount due to the immediate holding company

The amount due to the immediate holding company were unsecured, interest free, repayable on demand and denominated in HK$. The amounts due to immediate holding company will be fully settled upon Listing. Further details, please refer to paragraph headed "Amounts due from/to the ultimate holding company, the immediate holding company and related companies" in this section.

Amount due to a related company

The amount due to a related company was unsecured, interest free, repayable on demand and denominated in HK$. The amount has been fully settled. Further details, please refer to paragraph headed "Amounts due from/to the ultimate holding company, the immediate holding company and related companies" in this section.

Bank overdraft, bank and other borrowings

During the Track Record Period, our Group raised bank borrowings including bank overdraft to finance our business operations and to fulfil working capital requirements. We repaid our bank borrowings including bank overdraft through our internally generated funds. For the sufficiency of working capital, please refer to the paragraph headed "Sufficiency of working capital" in this section. The following table set out our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Bank overdraft	11,915	15,774	17,023	24,439
Term loans	32,642	28,738	27,198	18,911
Factoring loans	24,437	32,515	44,850	18,588
	68,994	77,027	89,071	61,938

Our outstanding bank and other borrowings including bank overdraft as at 31 December 2016, 2017, 2018 and 30 April 2019 were approximately HK$69.0 million, HK$77.0 million, HK$89.1 million and HK$61.9 million, respectively. Our outstanding bank and other borrowings including bank overdraft were denominated in HKD, USD and DKK, and were repayable on demand. As at 31 December 2016, 2017, 2018 and 30 April 2019, our Group's borrowings carried interest at rates ranging from 2.95% to 4.00%, 2.24% to 5.50%, 3.50% to 5.30% and 3.48% to 5.38% per annum, respectively. Our bank borrowings during the Track Record Period are for our operating use.

As at 31 December 2016, 2017, 2018 and 30 April 2019, our banking facilities of the Group were secured by:

(i) personal guarantee provided by Mr. Berg, Mr. Henriksen, Mr. Fung and Mr. Cheng up to an aggregated amount of HK$125.0 million, HK$235.0 million, HK$235.0 million and HK$235.0 million, respectively;

(ii) land and building with carrying values of approximately HK$1.5 million, HK$22.4 million, HK$21.4 million and HK$21.2 million, respectively;

(iii) prepaid land use rights with carrying value of nil, approximately HK$1.4 million, HK$1.4 million and HK$1.3 million, respectively;

(iv) pledged deposits of approximately HK$19.3 million, HK$20.0 million, HK$26.0 million and HK$28.1 million, respectively;

(v) inventories and trade receivables of approximately HK$9.9 million, HK$11.2 million, HK$24.9 million and HK$17.5 million, respectively;

(vi) key management insurance contract of nil, approximately HK$6.9 million, HK$7.0 million and HK$7.0 million, respectively.

The aforesaid personal guarantees by our Directors will be released upon Listing.

The total outstanding bank and other borrowings including bank overdraft as at 31 December 2016, 2017, 2018 and 30 April 2019 was approximately HK$69.0 million, HK$77.0 million, HK$89.1 million and HK$61.9 million, respectively. Set out below is the maturity profile of our borrowings as at the respective dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Less than six months	42,923	54,090	73,243	51,093
More than six months, but not exceeding one year	6,630	5,863	7,153	4,572
More than one years, but not exceeding five years	18,515	16,439	8,443	6,273
Over five years	926	635	232	–
	68,994	77,027	89,071	61,938

As at 31 December 2016, 2017, 2018 and 30 April 2019, our Group's available facilities amounted to approximately HK$159.0 million, HK$235.6 million, HK$233.7 million and HK$242.9 million, respectively, of which approximately HK$96.2 million, HK$106.8 million, HK$164.3 million and HK$163.6 million, respectively, were utilised and approximately HK$62.8 million, HK$128.8 million, HK$69.4 million and HK$79.3 million, respectively remained unutilised. Our Directors confirm that there had been no defaults by our Group in payment of its bank borrowings during the Track Record Period. As at 31 December 2016, 2017, 2018 and 30 April 2019, our Group obtained factoring loans balance of approximately HK$24.4 million, HK$32.5 million, HK$44.9 million and HK$18.6 million, respectively. Our factoring loans refer to the invoice discounting and factoring agreement, which provides 90% prepayment finance by purchasing the debts or invoices from the Group on a without recourse basis. During the Track Record Period, we had this arrangement with a few customers, including Customer A. Due to the general on-demand clause imposed by the bank, such factoring loans could not be offset against the respective trade receivables and are separately presented as factoring loan as part of our bank borrowings.

We did not comply with certain financial undertaking in respect of certain of our banking facilities as at 31 December 2016 and 2017. We had notified the lending banks on the non-compliance with certain financial undertaking, and the lending banks had acknowledged the breach but it had not taken any action such as suspending the release of further borrowings, supplementing the conditions for release and payment of borrowings or declaring the loan be due immediately and request for early repayment of the above-mentioned outstanding bank borrowings and the lending banks had confirmed that it will not take any action for demanding an early repayment of the outstanding borrowing. During the year ended 31 December 2017 and 2018, the Group renewed its banking facilities with a credit limit of approximately HK$95.1 million and HK$12.0 million, respectively; and revised the terms in respect of the relevant financial undertakings subject to non-compliance. Taking into account our cash flows from operations and bank borrowings from other lending banks, our Directors are of the view that the liquidity of the Group will not be impacted as a result of the banking facilities not renewed due to the non-compliances. Our Directors regularly reviewed our compliance with the covenants and confirmed that, save as disclosed above, we were not aware of any other breach of covenants in our existing banking facilities. During the Track Record Period and up to the Latest Practicable Date, none of our lending banks accelerated our outstanding indebtedness, and we did not experience any difficulties in obtaining bank loans.

When we realised the breaches of covenants in the loan agreements, we took the appropriate actions to rectify the breaches by implementing adequate and effective measures to enhance our internal control system to prevent the recurrence of breaches of debt covenants and to ensure our ongoing compliance with all the covenants in our loan agreements.

In the future, we will also ensure that when loan agreements are being negotiated, proposed terms and covenants will be carefully considered to ensure that we are, based on all surrounding circumstances and taking into account all relevant information available at such time, expected to be able to comply with the covenants under the loan agreements.

When considering the utilisation of bank overdraft or bank loans for financing, our Group will take into account of (i) the cost of financing; and (ii) the availability and the purpose of financing. Typically, the interest rate of bank loans would be lower than that of the bank overdraft. Therefore, the bank loans will be first used for general working capital purpose. Given the relatively high interest rate of the bank overdraft, the bank overdraft mainly served as a reserve for temporary use for our working capital. Moreover, our interest rate of bank overdraft offered by the local bank in Denmark is relatively low. Therefore, GPE and BBM APS would normally utilise the bank overdraft available in Denmark when necessary.

Obligations under finance leases

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our total obligations under finance leases amounted to approximately HK$0.3 million, HK$5.6 million, HK$5.0 million and nil, respectively. Please refer to note 27 to the Accountant's Report set out in Appendix I to this prospectus for details of the present value of minimum lease payments in respect of our obligations under finance leases as at 31 December 2016, 2017 and 2018.

Obligations under finance leases relate to our purchase of motor vehicles by way of finance lease arrangement. Interest rates underlying all obligations under finance leases were fixed at the respective contract dates and had a range at 2.5%, 2.5% to 7.2% and 2.5% to 8.0% per annum as at 31 December 2016, 2017 and 2018, respectively.

The obligations under finance leases are unguaranteed but secured by lessor's charges over leased assets with aggregate carrying values of approximately HK$0.3 million, HK$7.0 million and HK$6.4 million as at 31 December 2016, 2017 and 2018, respectively.

Lease liabilities

We have adopted HKFRS 16 "Leases" with effect from 1 January 2019 (effective for annual periods beginning on or after 1 January 2019). Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. As at 30 April 2019, our lease liabilities amounted to approximately HK$7.1 million. For further information about the adoption of HKFRS 16, please refer to note 2.1 in the Accountant's Report set out in Appendix I to this prospectus.

Contingent liabilities

As at 31 December 2016, 2017 and 2018 and 30 April 2019, performance bonds amounting to nil, nil, approximately HK$3.0 million and nil, respectively, have been issued by a bank on behalf of the Group in favour of the Group's suppliers, respectively. As at the Latest Practicable Date, the suppliers have released the group from all the performance bonds mentioned above.

Except as disclosed in the paragraphs headed "Indebtedness", we do not have other material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 30 April 2019, being the latest practicable date for the indebtedness statement.

COMMITMENTS

Operating lease commitments

Our Group as lessee

Our Group mainly leased office premises and factories under non-cancellable operating leases. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating lease as of the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	2,524	4,754	3,871
Later than one year but not later than five years	–	2,021	1,609
	2,524	6,775	5,480

The leases had tenures ranging from 2 months to 5 years and no contingent rent provision included in the contracts.

Our Group as lessor

Our Group leased out a car parking space under the operating leases. The following table set forth our future aggregate minimum lease receivable as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	36	59	65

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Group did not have any material off-balance sheet commitments and arrangements.

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Intangible assets

Our intangible assets mainly comprised of (i) goodwill; (ii) licence rights; (iii) golf club membership; and (iv) ERP software system. The following table sets forth our intangible assets for the years indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	14,949	14,905	14,607
Licence rights	29,307	22,398	30,881
Golf club membership	950	950	950
ERP software system	–	1,859	1,859
Total intangible assets	45,206	40,112	48,297

As at 31 December 2016, 2017 and 2018, we recorded intangible assets of approximately HK$45.2 million, HK$40.1 million and HK$48.3 million, accounting for approximately 11.4%, 10.2% and 11.3% of our total assets. The increase in our intangible assets as at 31 December 2018 was mainly due to the newly signed licensing agreement with Licensor B extending to cover luggage including trolleys and suitcases, etc..

Our goodwill represents goodwill arising from acquisition of our subsidiaries. As at 31 December 2016, 2017 and 2018, our goodwill amounted to approximately HK$14.9 million, HK$14.9 million and HK$14.6 million, respectively. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform our annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units.

For further details of our accounting policies for intangible assets and their impairment, and the estimates and assumptions involved, please refer to note 2.11 "Summary of significant accounting policies — Intangible assets", note 2.12 "Summary of significant accounting policies — Impairment of non-financial assets" and note 15 "Intangible assets" set out in the Accountant's Report in Appendix I to this prospectus.

Financial assets at fair value through profit or loss

During the Track Record Period, our financial assets at fair value through profit or loss mainly represented the equity investment in Supplier A and the investment in a key management insurance contract. Our Directors are aware of and have complied with the "Guidance note on directors' duties in the context of valuation in corporate transactions" issued by the SFC on 15 May 2017 by assessing our financial assets at fair value through profit or loss and the engagement of independent qualified valuer.

In relation to the valuation of the equity investment in Supplier A, management of the Group determined the valuation mainly based on the net assets of Supplier A with reference to its management accounts as at each reporting date. Our Directors adopted such valuation as management of the Group had sufficient industry-related experience and expertise to perform the valuation internally. Further in March 2017, our Group disposed of all such equity investment in Supplier A at a consideration of approximately HK$1.1 million to an independent third party.

In relation to the valuation of the investment in a key management insurance contract, our Directors, based on professional advice received, have engaged an independent qualified valuer to assess the fair value in accordance with the International Valuation Standards. Our Director have reviewed the valuation working papers and results prepared by the valuer. Based on the above, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Having considered the work done by our Directors and Reporting Accountant and the relevant due diligence performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company and the valuer on our financial assets.

As at 31 December 2016, 2017 and 2018, our financial assets at fair value through profit or loss amounted to approximately HK$1.2 million, HK$6.9 million and HK$7.0 million, respectively. Further details are set out in note 3.3 to the Accountant's Report in Appendix I to this prospectus.

Non-current assets held for sale

Our non-current assets held for sale mainly represent a residential property in Hong Kong. As at 31 December 2016, 2017 and 2018, our non-current assets held for sale amounted to approximately HK$6.6 million, nil and nil, respectively. On 25 January 2017, our Group disposed of the residential property for a consideration of HK$9.0 million for settlement of a promissory note issued by the immediate holding company to Manree Group Limited, a previous shareholder of GHL BVI.

Inventories

Our inventory mainly comprised (i) raw materials, (ii) work-in-progress and (iii) finished goods.

The table below sets out the summary of our inventory balances as at the dates indicated and turnover days for the years indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,522	4,278	1,819
Work-in-progress	16,777	15,703	4,442
Finished goods	41,208	37,884	23,777
	61,507	57,865	30,038

	For the year ended 31 December		
	2016	**2017**	**2018**
Average inventory turnover days *(Note)*	48.6	42.0	30.7

Note: Average inventory turnover days is calculated based on the average balance of inventory divided by total cost of sales for the relevant year and multiplied by 365 days for the years ended 31 December 2016, 2017 and 2018. Average balance of inventory is calculated by dividing the sum of inventory at the beginning and the end of the year by two.

Our inventories amounted to approximately HK$61.5 million, HK$57.9 million and HK$30.0 million as at 31 December 2016, 2017 and 2018, respectively. For the years ended 31 December 2016, 2017 and 2018, our average inventory turnover days were approximately 48.6 days, 42.0 days and 30.7 days, respectively. The decrease in our inventories as at 31 December 2017 and 2018 and the shortened average inventory turnover days for the respective years were primarily attributed to the decrease in raw materials maintenance level in order to minimise the risk of liquidity and stock obsolescence.

We actively monitor our inventory levels for slow moving inventory, obsolescence or declines in market value. Our management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. We carry out an inventory review regularly and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the carrying amount, impairment may arise. During the Track Record Period, we have made provision for impairment of inventories amounted to approximately HK$0.1 million, HK$0.3 million and nil, respectively.

As at the Latest Practicable Date, approximately HK$18.6 million, representing 61.9% of our inventories as of 31 December 2018 had been consumed or sold.

Trade and other receivables

As at 31 December 2016, 2017 and 2018, our trade and other receivables were approximately HK$138.0 million, HK$171.7 million and HK$219.0 million, respectively. The table below sets out a breakdown of our trade and other receivables as at the dates indicated and the turnover days of trade and other receivables for the indicated periods:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	104,504	149,172	188,412
Bills receivables	5,242	4,045	–
Provision for impairment of trade receivables	(253)	(158)	(150)
Trade receivables, net	109,493	153,059	188,262
Prepaid land lease payments	39	39	39
Prepayments for purchases from suppliers	7,048	11,022	16,601
Prepaid Listing expenses	–	3,450	1,856
Deferred Listing expenses	–	435	3,381
Deposits paid	1,632	1,434	1,156
Receivables from affiliates of an ex-shareholder	13,469	–	–
Other receivables	6,344	2,287	7,689
Total trade and other receivables	138,025	171,726	218,984

Trade and bills receivables

	For the year ended 31 December		
	2016	**2017**	**2018**
Average trade and bills receivables turnover days *(Note)*	62.8	72.6	91.9

Note: Average trade and bills receivables turnover days are calculated based on the average balance of trade and bills receivables divided by revenue for the relevant year and multiplied by 365 days for the years ended 31 December 2016, 2017 and 2018. Average balance of trade and bills receivables is calculated by dividing the sum of trade and bills receivables at the beginning and the end of the year by two.

Majority of credit terms provided to customers are within 60-90 days. In order to minimise our credit risk, we carefully assess the background information and credit worthiness of our customers before we decide to grant them credit periods. Further, we also closely monitor the payment record of our customers and regularly review the credit terms we granted to them. Our credit assessment is based on various factors, including but not limited to the financial strength, size of the business and payment history of our customers and length of their business relationship with us. Our net trade and bills receivables amounted to approximately HK$109.5 million, HK$153.1 million and HK$188.3 million as at 31 December 2016, 2017 and 2018, respectively.

Our average trade and bills receivables turnover days for each of the years ended 31 December 2016, 2017 and 2018 were approximately 62.8 days, 72.6 days and 91.9 days, respectively. Our average trade and bills receivables turnover days increased throughout the Track Record Period in line with the increase in trade and bills receivables and increase in total revenue from the year ended 31 December 2016 to the year ended 31 December 2018. Our average trade and bills receivables turnover days were driven up by the higher revenue before year-end to meet the expected increase in retail sales during festive seasons.

Ageing analysis and subsequent settlement

The following table sets out the aging analysis of our trade and bills receivables, based on the invoice date, as at the dates indicated:

	As at 31 December		
Trade and bills receivables, net	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Less than 31 days	66,745	98,031	119,364
31 to 60 days	26,822	30,293	31,845
61 to 90 days	12,374	15,441	32,212
Over 90 days	3,552	9,294	4,841
	109,493	153,059	188,262

As at 31 December 2017, our trade receivable outstanding for over 90 days amounted to approximately HK$9.3 million was mainly due to the long weekend in late December 2017 that made the settlement by Customer A only received in early January 2018. As at the Latest Practicable Date, approximately HK$4.6 million, representing approximately 94.5% of the trade receivable outstanding for over 90 days as at 31 December 2018 had been subsequently settled.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. For details, please refer to the accounting policies set forth in note 18 to the Accountant's Report set out in Appendix I to this prospectus.

As at 31 December 2016, 2017 and 2018, the loss allowance provision for trade receivables was determined as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Expected loss rate	0.23%	0.10%	0.08%
Gross carrying amount	109,746	153,217	188,412
Loss allowance provision	253	158	150

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. As at 31 December 2016, 2017 and 2018, trade receivables amounting to approximately HK$0.3 million and HK$0.2 million and HK$0.2 million were impaired, respectively. These impaired receivables mainly relate to customers who are under bankruptcy or in unexpectedly difficult economic situations. The following table sets forth the movement of the provision for impairment of trade receivables during the Track Record Period:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January	100	253	158
Provision for impairment of trade receivables	265	149	–
Recovery of impairment previously provided for	(17)	(203)	–
Written off	(84)	(69)	–
Exchange realignment	(11)	28	(8)
As at 31 December	253	158	150

As at the Latest Practicable Date, approximately HK$122.1 million, representing approximately 64.9% of the trade and bills receivables outstanding as at 31 December 2018 had been subsequently settled.

Prepaid land lease payments

Our prepaid land lease payments represent the land use right for our leasehold land held in Xinfeng County Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, the PRC. As at 31 December 2016, 2017 and 2018, the current portion of our prepaid land lease payments amounted to approximately HK$39,000, HK$39,000 and HK$39,000, respectively.

Prepayments for purchases from suppliers

As at 31 December 2016, 2017 and 2018, our prepayments for purchases from suppliers amounted to approximately HK$7.0 million, HK$11.0 million and HK$16.6 million, respectively. Prepayment to suppliers is paid to certain suppliers for purchasing of raw materials and finished goods which are not yet received.

Prepaid Listing expenses and deferred Listing expenses

Our prepaid Listing expenses and deferred Listing expenses mainly related to the Listing. As at 31 December 2016, 2017 and 2018, our prepaid listing expenses amounted to nil, approximately HK$3.5 million and HK$1.9 million, respectively; while, our deferred Listing expenses amounted to nil, approximately HK$0.4 million and HK$3.4 million, respectively.

Deposits paid

Our deposits paid mainly represented rental deposits, water and utility deposits, management fee deposits. As at 31 December 2016, 2017 and 2018, our deposits paid amounted to approximately HK$1.6 million, HK$1.4 million and HK$1.2 million, respectively.

Receivables from affiliates of an ex-shareholder

Our receivables from affiliates of an ex-shareholder related to receivables from certain designated affiliates of our ex-shareholder, Mr. Wong. As at 31 December 2016, 2017 and 2018, our receivables from affiliates of an ex-shareholder amounted to approximately HK$13.5 million, nil and nil, respectively.

Other receivables

Our other receivables mainly represented export tax returns generated from our export sales. As at 31 December 2016, 2017 and 2018, our other receivables amounted to approximately HK$6.3 million, HK$2.3 million and HK$7.7 million, respectively. Such decrease in 2017 was mainly due to the shorter recoverable days from 90 days to 30 days in general from tax authorities. Such increase in 2018 was mainly due to an increase in export tax refundable arising from higher export sales before year-end.

Amounts due from directors

Details of the amounts due from Directors are summarised in note 19 to the Accountant's Report set out in Appendix I to this Prospectus. Our amounts due from directors, Mr. Cheng, Mr. Fung and Mr. Berg, are non-trade in nature, unsecured, non-interest bearing and with no fixed repayment terms. The outstanding amounts due from directors as at 31 December 2016, 2017 and 2018 were approximately HK$5.0 million, HK$7.7 million and HK$7.7 million, respectively. The abovementioned outstanding amounts as at 31 December 2018 will be fully settled upon Listing.

Amounts due from /to the ultimate holding company, the immediate holding company and related companies

Details of the amounts due from/to the ultimate holding company, the immediate holding company and related companies are summarised in note 20 to the Accountant's Report set out in Appendix I to this Prospectus. Our amounts due from the ultimate holding company, the immediate holding company and related companies as at 31 December 2016, 2017 and 2018 are set out below:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from the ultimate holding company			
– Berg Group *(Note 1)*	–	–	5,798
Amount due from the immediate holding company			
– GPG	52,130	9,142	–
Amounts due from related companies			
– T. Berg Holdings *(Note 1)*	–	–	360
– EGHL *(Note 1)*	107	–	–
– Elements Group Investments Holdings Limited *(Note 1)*	28	–	–
– EGD APS *(Note 2)*	3,244	3,843	3,804
– ED APS *(Note 2)*	981	1,734	1,695
– Køkkensnedkeren A/S *(Note 2)*	9,136	14,195	15,979
– EML2 *(Note 1)*	24	–	–
– EML1 *(Note 1)*	1,421	2,105	9,450
– ELL *(Note 1)*	56	–	2
– Eastern Dragon International Limited *(Note 1)*	–	–	5
	14,997	21,877	31,295

Notes:

1. The balances were unsecured, interest free, repayable on demand and denominated in HK$.

2. The balances were unsecured, interest bearing at 4% per annum, repayable on demand and denominated in DKK.

The following table sets forth our amount due to a related company and amount due to the immediate holding company as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a related company			
– T. Berg Holdings *(Note)*	(250)	(250)	–
Amount due to the immediate holding company			
– GPG *(Note)*	–	–	(10,520)

Notes: The balances were unsecured, interest free, repayable on demand and denominated in HK$.

The abovementioned outstanding amounts due from/to the ultimate holding company, the immediate holding company and related companies as at 31 December 2018 will be fully settled upon Listing.

Trade and other payables

The following table sets forth a breakdown of our Group's trade and other payables as at dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	108,117	136,669	105,742
Bills payables	27,229	29,751	72,263
Accruals and other payables	22,159	26,044	21,034
	157,505	192,464	199,039

Trade and bills payables

As at 31 December 2016, 2017 and 2018, our trade and bills payables amounted to approximately HK$135.3 million, HK$166.4 million and HK$178.0 million, respectively. The following is an aging analysis of trade and bills payables, based on the invoice date, as at the dates indicated and the turnover days for the years indicated:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Less than 31 days	50,522	55,641	45,557
31 to 60 days	49,922	55,023	60,459
61 to 90 days	24,816	28,563	43,285
Over 90 days	10,086	27,193	28,704
	135,346	166,420	178,005

	For the year ended 31 December		
	2016	**2017**	**2018**
Average trade and bills payables turnover days *(Note)*	95.5	106.1	120.3

Note: Average trade and bills payables turnover days is calculated based on the average balance of trade and bills payables divided by cost of sales for the relevant year and multiplied by 365 days for the years ended 31 December 2016, 2017 and 2018. Average balance of trade payables is calculated by dividing the sum of trade payables at the beginning and the end of the year by two.

Majority of payment terms with suppliers are within 60 days. Our average trade and bills payables turnover days increased from approximately 95.5 days for the year ended 31 December 2016 to approximately 106.1 days for the year ended 31 December 2017 and further increased to approximately 120.3 days for the year ended 31 December 2018. Our average trade payables turnover days during the Track Record Period were longer than the credit periods granted by our suppliers. Despite that, our Directors confirm that (i) we have no disputes with our suppliers; and (ii) there had been no material defaults by our Group in the settlement of our trade payables during the Track Record Period. Our average trade and bills payables turnover days were driven up by the higher cost of sales before year-end to meet the expected increase in retail sales during festive seasons.

As at the Latest Practicable Date, approximately HK$155.1 million, representing approximately 87.1% of the trade and bills payables outstanding as at 31 December 2018 had been subsequently settled.

Accruals and other payables

As at 31 December 2016, 2017 and 2018, our accruals and other payables amounted to approximately HK$22.2 million, HK$26.0 million and HK$21.0 million, respectively. Our accruals and other payables increased to approximately HK$26.0 million as at 31 December 2017 which was mainly due to the increase in accrued royalty fee of approximately HK$2.3 million as a result of the increase in sales of licensed brand products during the year ended 31 December 2017. Our accruals and other payables decreased to approximately HK$21.0 million as at 31 December 2018 as a result of the decrease in accrued royalty fees of approximately HK$1.3 million and accrued staff costs of approximately HK$1.0 million.

Contract Liabilities

As at 31 December 2016, 2017 and 2018, our amounted to approximately HK$14.5 million, HK$8.0 million and HK$2.0 million, respectively. The decrease in our contract liabilities from approximately HK$14.5 million as at 31 December 2016 to approximately HK$8.0 million as at 31 December 2017 to approximately HK$2.0 million as at 31 December 2018 was mainly attributable to the decrease in amount of deposits received from Customer B as at the respective dates.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure mainly on property, plant and equipment and intangible asset. Our additions on property, plant and equipment were approximately HK$5.6 million, HK$7.3 million and HK$3.6 million for the years ended 31 December 2016, 2017 and 2018, respectively. These capital expenditures were funded by the cash flows from our operating activities. Our additions on intangible assets were approximately HK$34.4 million, HK$2.9 million and HK$19.6 million for the years ended 31 December 2016, 2017 and 2018, respectively. The higher purchase of intangible asset for the year ended 31 December 2016 was due to the renewal of licence rights under Licensor B. During the year ended 31 December 2018, our expenditure on intangible asset was mainly arising from the newly signed licensing agreement with Licensor B extending to cover luggage including trolleys and suitcases, etc..

MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios as at/for the year ended 31 December 2016, 2017 and 2018:

	As at/for the year ended 31 December		
	2016	**2017**	**2018**
Current ratio (times) *(Note 1)*	1.2	1.0	1.0
Quick ratio (times) *(Note 2)*	1.0	0.8	1.0
Gearing ratio *(Note 3)*	58.3%	111.0%	117.5%
Debt to equity ratio *(Note 4)*	40.7%	82.1%	95.4%
Interest coverage (times) *(Note 5)*	7.1	7.4	6.3
Return on assets *(Note 6)*	6.2%	7.2%	6.3%
Return on equity *(Note 7)*	20.7%	38.1%	33.9%

Notes:

1. Current ratio is calculated by dividing current assets (excluding non-current assets held-for-sale) by current liabilities.

2. Quick ratio is calculated by dividing current assets (excluding non-current assets held-for-sale) after subtraction of inventories by current liabilities.

3. Gearing ratio is calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of obligations under finance leases, lease liabilities, bank overdraft and bank and other borrowings.

4. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt net of cash at bank and on hand.

5. Interest coverage is calculated by dividing profit before finance costs and income tax expense by finance costs.

6. Return on assets is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total assets.

7. Return on equity is calculated by dividing net profit attributable to the owners of the Company with the closing balance of total equity.

Current ratio

Our current ratio remained stable at approximately 1.2 time, 1.0 time and 1.0 time as at 31 December 2016, 2017 and 2018, respectively.

Quick ratio

Our quick ratio as at 31 December 2016, 2017 and 2018 was approximately 1.0 time, 0.8 time and 1.0 time, respectively. The decrease in our quick ratio from approximately 1.0 time as at 31 December 2016 to approximately 0.8 time as at 31 December 2017 was mainly due to increase in trade payables. The increase in our quick ratio to approximately 1.0 time as at 31 December 2018 was mainly due to the increase in trade and other receivables.

Gearing ratio

Our gearing ratio as at 31 December 2016, 2017 and 2018 was approximately 58.3%, 111.0% and 117.5%, respectively. Our gearing ratio increased to approximately 111.0% as at 31 December 2017 from approximately 58.3% as at 31 December 2016 primarily due to the decrease in equity as a result of dividend declared amounted to HK$40.0 million for the year ended 31 December 2017. Our gearing ratio slightly increased to approximately 117.5% as at 31 December 2018 primarily due to the increase in factoring loan of approximately HK$12.3 million.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2016, 2017 and 2018 was approximately 40.7%, 82.1% and 95.4%, respectively. Our debt to equity ratio increased to approximately 82.1% as at 31 December 2017 from approximately 40.7% as at 31 December 2016 which was primarily due to the decrease in equity as a result of dividend declared amounted to HK$40.0 million for the year ended 31 December 2017. Our debt to equity ratio increased to approximately 95.4% as at 31 December 2018 primarily due to the increase in factoring loan of approximately HK$12.3 million.

Interest coverage

Our interest coverage maintained relatively stable at approximately 7.1 times, 7.4 times and 6.3 times for the years ended 31 December 2016, 2017 and 2018, respectively.

Return on assets

Return on assets was approximately 6.2%, 7.2% and 6.3% for the three years ended 31 December 2016, 2017 and 2018, respectively. For the year ended 31 December 2017, our return on assets increased to approximately 7.2%. Such increase was mainly attributable to the approximately 15.1% increase in net profit year on year. The slight decrease of our return on assets to approximately 6.3% for the year ended 31 December 2018 was mainly attributable to the lower profit for the year as the Listing expenses incurred during the year ended 31 December 2018 was higher than that during the years ended 31 December 2017.

Return on equity

Return on equity was approximately 20.7%, 38.1% and 33.9% for the three years ended 31 December 2016, 2017 and 2018, respectively. For the year ended 31 December 2017, the increase in our return on equity was primarily due to the increase in our net profit for the year by approximately 15.1% year on year. The slight decrease of our return on equity to approximately 33.9% for the year ended 31 December 2018 was mainly attributable to the lower profit for the year as larger Listing expenses were incurred during the year.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 32 of the Accountant's Report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from independent third parties which are fair and reasonable and in the interest of the Shareholders as a whole.

PROPERTY VALUATION

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued (i) the industrial complex owned and own-occupied by our Group located at No.63 Ying Bin Road, Industrial Park of Xin Feng County, Jiangxi Province, the PRC, for our industrial uses; and (ii) the property and car parking space owned and own-occupied by our Group located at Tai Ping Industrial Centre Block 2, No.55 Ting Kok Road, Tai Po, New Territories, as at 30 April 2019 and is of the opinion that the value of such properties as of such date was HK$80.0 million. The full text of the letter and the valuation certificate issued by Vigers Appraisal & Consulting Limited as set out in Appendix III to this Prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

DIVIDEND

Dividends may be paid out by ways of cash or by other means we consider appropriate. Dividend of HK$20.0 million was declared and fully settled by our Company to its shareholders through current account during the year ended 31 December 2018. Dividend of HK$40.0 million was declared and fully settled by one of our subsidiaries to its then shareholders through current account during the year ended 31 December 2017. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$0.5 per Offer Share, the total amount of Listing expenses and commissions in connection with the Share Offer borne by the Group is estimated to be approximately HK$35.1 million.

Of the aggregate Listing expenses borne by the Group of approximately HK$35.1 million, approximately HK$12.0 million directly attributable to the issue of new Shares will be accounted for as a deduction from equity upon Listing. Listing expenses of approximately HK$1.9 million and HK$13.0 million were charged to the profit or loss for the years ended 31 December 2017 and 2018, respectively, and the remaining amount of approximately HK$8.2 million will be charged to the profit or loss for the year ending 31 December 2019. Expenses in relation to the Listing are non-recurring in nature. The Listing expenses estimated to be borne by the Selling Shareholder is approximately HK$5.7 million.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to certain financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to note 3 in the Accountant's Report in Appendix I to this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

A recent trade dispute has been initiated between the U.S. and the PRC, which affects the trade flows for certain products exported from the PRC to the U.S.. In a series of releases, the Office of the United States Trade Representative (the "**USTR**") has publicised a list of products to be exported from the PRC that would be subject to additional tariffs. Many of these tariffs went into effect in July and August 2018. The most recent list was finalized on 18 September 2018, and Chinese imports listed therein became subject to a new tariff of 10% with effective from 24 September 2018. The USTR confirmed that the tariffs initially went into effect last September have further risen to 25% from 10% with effect from 10 May 2019. For the years ended 31 December 2016, 2017 and 2018, our revenue generated in the U.S. as a proportion of our total revenue amounted to approximately 40.2%, 39.6% and 44.6%, respectively. To the best knowledge, information

and belief of our Directors, as per the final tariff list announced by the USTR, all our sales to the U.S would be subject to U.S. tariffs of 25% if such tariffs were imposed during the Track Record Period. However, as our products that are sold and delivered to the U.S. are mainly sold on a free-on-board basis, we are not deemed to be the importer of our products, and the burden is borne by our customers rather than our Group. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any anti-dumping duties upon importation into the U.S..

As far as our Directors are aware, up to the Latest Practicable Date, none of our customers have cancelled any orders and there has not been any material adverse event after the Track Record Period as a result of the imposition of trade tariff by the U.S. government. Even after the announcement of such tariff, we have continued to receive new purchase orders from our existing customers. Our Directors have performed a comparison on the revenue for the U.S. following the introduction of the 10% tariff in September 2018, which showed that our total sales in the U.S. increased from approximately HK$119.9 million for the six months between 1 October 2017 and 31 March 2018 to approximately HK$143.4 million for the six months between 1 October 2018 and 31 March 2019, representing an increase of 19.6%. In particular, Customer A took up approximately 69.2% of our product sales in the U.S. for the year ended 31 December 2018, which was approximately 30.9% of our total revenue for the same year. Despite the introduction of the tariff, Customer A has explicitly expressed its intention to continue to maintain a stable customer-supplier business relationship with us given our longstanding mutually beneficial relationship and the high technical specifications of the products manufactured by us. On 8 August 2018, we entered into two three-year distribution agreements with Customer A involving the distribution of branded products of two respective brands manufactured by us for the U.S. market. The two distribution agreements in aggregate cover a minimum purchase amount of US$4.0 million for 2019, US$5.0 million for 2020 and US$6.0 million for 2021 or the U.S. market. Based on the discussion between Customer A and us, we expect the product sales under these two agreements to reach US$8.0 million for 2019.

Customer A further confirmed that it will place orders with us for the manufacturing of bags for an existing private label in 2019. Our revenue generated from the manufacture of such private label products sold in U.S. amounted to approximately US$22.6 million, US$23.1 million and US$26.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. Based on our preliminary discussion with Customer A, the order size of such private label products for the U.S. market for 2019 is estimated to be approximately US$30.2 million, of which approximately US$23.0 million belongs to the existing product lines and approximately US$7.2 million belongs to the new product lines granted to us under this private label.

Furthermore, we believe that we can deploy a number of strategies to mitigate the adverse impact, including (i) passing the tariff in part or in full onto the end users in collaboration with our customers and (ii) engaging manufacturers in other APAC region to take up our production orders. Due to the high technical specifications of the products manufactured by us, our customers are positive that the increase in costs can be passed onto the end users. We are closely monitoring the development of the situation and designing strategies together with our customers to prepare ourselves for any effects

bring along by the applicable tariff. For further details, please refer to the section headed "Risk factors — Risk relating to our business — We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations" and "Business — Sales and marketing — Tariffs" in this prospectus.

Save for the Listing expenses, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus, and there is no event since 31 December 2018 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" set out in Appendix II to this prospectus for details.

OVERVIEW

Pursuant to a deed of acting in concert confirmation and undertaking dated 16 March 2018 executed by each of Mr. Berg, Mr. Henriksen, Berg Group, Easy Achiever, Elect Lead, RHS and GPG, each of the parties confirmed that since 11 January 2005 or if the relevant member of our Group is incorporated after such date, the date of incorporation of such relevant member of our Group, (i) the parties have in the past centralised the ultimate control and right to make final decisions with respect to their respective interests in the business of our Group; (ii) the parties have reached unanimous consensus among themselves (by themselves and/or through companies controlled by them) in respect of all matters relating to the financial, management and operational matters of our Group at the shareholder and board levels of each member of our Group; and (iii) in relation to all matters which require the decisions of the parties, the parties have been given sufficient time and information to consider and discuss in order to reach consensus.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), GPG will hold 61.7% of the issued share capital of our Company, respectively. GPG is an investment holding company without any business operation and is owned by RHS, Easy Achiever, Elect Lead and Berg Group as to 11.3%, 10.2%, 23.4% and 55.2%, respectively after completion of the Reorganisation. RHS is wholly-owned by Mr. Henriksen. Each of Easy Achiever, Elect Lead and Berg Group is wholly-owned by Mr. Berg. Each of Mr. Berg, Easy Achiever, Elect Lead, Berg Group, Mr. Henriksen, RHS and GPG is our Controlling Shareholder and will together form a group of Controlling Shareholders who are entitled to control 61.7% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

THE EXCLUDED BUSINESS

Each of our Controlling Shareholders and Directors has confirmed that, he/it does not have and their respective close associates do not have interest in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Mr. Berg, being the chairman of our board, an executive Director and a Controlling Shareholder, through his wholly-owned entity Group One, is interested in the Elements Group which was disposed by our Group and acquired by Group One in October 2017. Our Directors believe that there is a clear delineation in the business activities of our Group and that of the Elements Group in terms of their (i) business model; (ii) business strategy; (iii) major business operation; (iv) products; (v) customers; (vi) suppliers; (vii) geographical markets; (viii) location of the production facilities; and (ix) management. The key differences between the business of our Group and the Elements Group are set out below:

	Our Group	**Elements Group**
Business model	Business to business	Both (i) business to business and (ii) business to consumer
Business strategy	Maintain and strengthen our market position as a leading backpack and luggage manufacturer and exporter	Manufacturing and sale of affordable kitchen-related products
Major business operation	Principally engaged in the design, development, manufacture and sales of a diverse product portfolio of backpack and luggage	Principally engaged in manufacturing and sale of kitchen-related products
Products	Backpack and luggage	Kitchen cabinetry and kitchen furniture
Customers	Private label customers, distributors, wholesalers and retailers	Developers and individual customers
Suppliers	Suppliers in the PRC, Taiwan and South Korea supplying raw materials such as polyester fibre and trolley components	Suppliers in the PRC supplying raw materials such as wood, paint and glue
Geographical markets	Worldwide	Europe

	Our Group	Elements Group
Location of the production facilities	Shenzhen and Ganzhou, the PRC	Dongguan, the PRC
Management	Our existing executive Directors and senior management continue to hold directorship and/or senior management positions in our Company and our subsidiaries.	Our existing executive Directors and senior management are not involved in the daily operation of the Elements Group. Save for Mr. Berg, Mr. Bergholdt, Mr. Fung and Mr. Cheng who continue to hold directorship positions in certain companies in the Elements Group; and (ii) Mr. Brian Worm, chief operating officer and finance director of our Group's Europe business and chairman of the board of a subsidiary in the Elements Group, each of the operating subsidiaries of the Elements Group has its own management team with no overlapping management and employees between our Group and the Elements Group.

Our Directors are of the view that the Elements Group did not form part of our core business and is not in line with our overall strategy to maintain and strengthen our market position as a leading backpack and luggage manufacturer and exporter.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the below factors, our Directors are satisfied that we are capable of carrying out our business independent from each of our Controlling Shareholders and their close associates after the Listing.

Operational independence

Our Group is not operationally dependent on each of our Controlling Shareholders and their close associates. We have full rights to make all decisions on, and to carry out, our own business operations independent from our Controlling Shareholders and their close associates and do not rely on our Controlling Shareholders or their close associates for our business development and activities. We have independent access to our customers, suppliers and our Directors and senior management are responsible for handling our day-to-day operations and conducting our business. We are also in possession of all relevant licences that are material to carrying on and operating our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Financial independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders and their close associates. We are able to make financial decisions independently and our Controlling Shareholders and their close associates do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have sufficient capital to operate our business independently and we have been and are capable of obtaining financing from independent third parties without reliance on our Controlling Shareholders or their close associates.

During the Track Record Period, our banking facilities were secured by personal guarantees jointly and severally provided by our Directors. The personal guarantees will be released or replaced by corporate guarantees executed by our Company upon the Listing. For details, please refer to the section headed "Financial Information — Indebtedness — Bank overdraft, bank and other borrowings" in this prospectus and note 24 to the Accountant's Report set out in Appendix I to this prospectus.

Management independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. For details of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus. The daily operation of our Group is carried out by an independent experienced management team, and we have the capability and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

DEED OF NON-COMPETITION

In order to avoid any potential competition between our Controlling Shareholders and our Group, each of Mr. Berg, Easy Achiever, Elect Lead, Berg Group, Mr. Henriksen, RHS and GPG (each the "**Covenantor**" and collectively the "**Covenantors**") had entered into the Deed of Non-competition in favour of our Company and our subsidiaries.

Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, he/it shall not, and shall procure that none of their respective close associates (other than members of our Group) will, during the period which (i) the Shares remain listed on the Stock Exchange; and (ii) the Convenantors and their close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or (iii) the Convenantors or the relevant close associates remain as a director of any member of our Group (the "**Restricted Period**"), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, partnership, joint venture or other contractual arrangement among other things, carry on, participate or be interested, engaged, concerned or otherwise involved (directly or indirectly) in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time (the "**Restricted Business**") and where they become aware of such engagement of the Restricted Business, they shall notify our Company immediately.

Each of the Covenantors has further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to such Covenantor and/or any of his/its close associates (other than members of our Group) (the "**Offeror**") is first referred to our Company promptly within seven days upon identifying or being offered any New Opportunity in the manner stated in the Deed of Non-competition. Upon receipt of such notice, our Company shall seek opinions and decisions from all independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunity would constitute competition with our Company's core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

The Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with its core business, or (ii) the Offeror has not received the notice from our Company within 30 Business Days (or such longer period if our Group is required to complete any approval procedures as set out in the Listing Rules from time to time) from the receipt of the notice by our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Share Offer becoming unconditional. If such condition is not fulfilled within 30 days from the date of this prospectus, the Deed of Non-competition shall become null and void without prejudice to any right of the party in respect of antecedent breaches.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

(i) each of the Covenantors will make an annual confirmation as to compliance with its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

(ii) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed ''Directors and Senior Management'' in this prospectus;

(iii) in the event that our independent non-executive Directors shall review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(iv) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition;

(v) any transaction between or proposed to be made between our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules; and

(vi) our Company has appointed Dakin Capital Limited as compliance adviser, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control.

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

Authorised share capital

		HK$
10,000,000,000	Shares	100,000,000.00

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

		HK$
10,000	Shares in issue as at the date of this prospectus	100.00
829,990,000	Shares to be issued pursuant to the Capitalisation Issue	8,299,900.00
170,000,000	Shares to be issued pursuant to the Share Offer	1,700,000.00
1,000,000,000	Total	10,000,000.00

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 30 May 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 829,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 30 May 2019 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$8,299,900.00 standing to the credit of the share premium account of our Company upon the Listing, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer — Conditions of the Public Offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and

(b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase Shares" in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 30 May 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose)

with an aggregate number of not more than 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 30 May 2019" and headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "D. Share Option Scheme" in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" set out in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Shareholder	**Member of our Group**	**Nature of interest**	**Shares held/interested immediately following completion of the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer**[(Note 1)]		**Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer**[(Note 1)]	
			Number	*Percentage*	*Number*	*Percentage*
Mr. Berg[(Note 2)]	Our Company	Interest in controlled corporation	964(L)	9.6%	–	–
	Our Company	Interest in controlled corporation	7,436(L)	74.4%	617,000,000(L)	61.7%
Berg Group[(Note 2)]	Our Company	Beneficial owner	964(L)	9.6%	–	–
	Our Company	Interest in controlled corporation	7,436(L)	74.4%	617,000,000(L)	61.7%
GPG[(Note 2)]	Our Company	Beneficial owner	7,436(L)	74.4%	617,000,000(L)	61.7%
Mr. Choi[(Note 3)]	Our Company	Interest in controlled corporation	1,600(L)	16.0%	133,000,000(L)	13.3%

Shareholder	Member of our Group	Nature of interest	Shares held/interested immediately following completion of the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer[(Note 1)]		Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer[(Note 1)]	
			Number	*Percentage*	*Number*	*Percentage*
Pre-IPO Investor *(Note 3)*	Our Company	Beneficial owner	1,600(L)	16.0%	133,000,000(L)	13.3%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

3. The Pre-IPO Investor is owned as to 70% by Mr. Choi. By virtue of the SFO, Mr. Choi is deemed to have an interest in the shares held by the Pre-IPO Investor.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

OVERVIEW

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Role and Responsibility	Relationship with other Directors and senior management
Executive Directors						
Mr. Thomas Berg	48	Executive Director and chairman of our Board	1 January 1997	8 February 2018	Responsible for overall business development as well as financial and strategic planning of our Group	Nil
Mr. Morten Rosholm Henriksen	51	Executive Director	11 January 2005	8 February 2018	Responsible for overall management of our business operation	Nil
Mr. Cheng Wai Man (鄭偉民)	59	Executive Director	5 October 1993	8 February 2018	Responsible for overall management of our business operation	Nil
Non-executive Directors						
Mr. Fung Bing Ngon Johnny (馮炳昂)	63	Non-executive Director	5 October 1993	8 February 2018	Providing strategic advice to our Group	Nil
Mr. Xiong Jianrui (熊劍瑞)	55	Non-executive Director	8 February 2018	8 February 2018	Providing strategic advice to our Group	Nil

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Role and Responsibility	Relationship with other Directors and senior management
Independent non-executive Directors						
Mr. Tang Tin Lok Stephen (鄧天樂)	42	Independent non-executive Director	30 May 2019	30 May 2019	Providing independent advice to our Group	Nil
Mr. Lau Ning Wa Ricky (劉寧樺)	33	Independent non-executive Director	30 May 2019	30 May 2019	Providing independent advice to our Group	Nil
Ms. Zhou Jing (周靜)	44	Independent non-executive Director	30 May 2019	30 May 2019	Providing independent advice to our Group	Nil

DIRECTORS

Executive Directors

Mr. Thomas Berg, aged 48, is the chairman of our Board and an executive Director. He was concurrently appointed as an executive Director and the chairman of our Board on 16 March 2018. He is mainly responsible for overall business development as well as financial and strategic planning of our Group.

Mr. Berg has more than 23 years of experience in the sales and marketing industry. From August 1994 to December 1996, Mr. Berg worked for Pacific Market International, a drinkware, bag and luggage supplier, at which his last position was sales executive. In October 1996, Mr. Berg entered into a cooperation agreement with GPM to manage our Group's business in Europe, and subsequently joined our Group and was appointed as managing director of the Europe office of GPM in January 1997. In April 2002, Mr. Berg was further appointed as director of GPM. From January 2005 to August 2015, he worked as group chief executive officer of GPM. From December 2005 to June 2012, he was appointed as managing director of GPE. Since April 2015, Mr. Berg has been serving as group executive chairman of GPM.

Mr. Berg obtained a diploma as market economist in international marketing from Aarhus Business College in Denmark in June 1995. He also studied a management course at University of California, Los Angeles in U.S. in 1994.

Mr. Berg was a director of the following company which was dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Man Wah Articles *(Note 1)*	Hong Kong	22 July 2016	Deregistration *(Note 2)*	Inactive

Notes:

1. Further details of the dissolution of Man Wah Articles are set forth in the section headed "History, Reorganisation and Group structure — Material shareholding changes of our Group prior to and during the Track Record Period — (ii) Dissolution of Man Wah Articles".

2 Under section 750 of the Companies Ordinance, an application for deregistration must not be made unless at the time of the application (a) all members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Berg confirmed that Man Wah Articles was solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the company, and the dissolution has not resulted in any liability or obligation being imposed on him.

Mr. Berg was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of commencement of proceeding	Nature of proceeding	Indebted amounts	Date of bankruptcy decree	Date of dissolution	Nature of business before dissolution
Kitchen and More Holding A/S ("**KAM Holding**")	Denmark	30 June 2009	Bankruptcy by voluntary petition	approximately DKK1.2 million	3 July 2009	7 June 2010	Investment holding
Kitchen and More ApS ("**KAM APS**")	Denmark	30 June 2009	Bankruptcy by voluntary petition	approximately DKK8.5 million	3 July 2009	16 August 2012	Sale of household products including kitchen cabinetry and kitchen furniture
Kitchen and More Europe A/S ("**KAM EU**")	Denmark	30 June 2009	Bankruptcy by voluntary petition	approximately DKK14.8 million	3 July 2009	30 November 2011	Sale of household products including kitchen cabinetry and kitchen furniture

Name of company	Place of incorporation	Date of commencement of proceeding	Nature of proceeding	Indebted amounts	Date of bankruptcy decree	Date of dissolution	Nature of business before dissolution
Kitchen and More International A/S ("**KAM International**")	Denmark	30 June 2009	Bankruptcy by voluntary petition	approximately DKK1,700	3 July 2009	7 June 2010	Sale of household products including kitchen cabinetry and kitchen furniture

KAM Holding was owned indirectly by Mr. Berg and H3J Holding ApS ("**H3J**"), an independent third party as to 47.8% and 50.2%, respectively before its dissolution in June 2010. Each of KAM APS, KAM EU and KAM International was a subsidiary wholly-owned by KAM Holding before their respective dissolution. The group of companies including KAM Holding, KAM APS, KAM EU and KAM International (each a "**KAM Company**" and collectively the "**KAM Companies**") was principally engaged in the manufacturing and sale of household products including kitchen cabinetry and kitchen furniture before their respective dissolution. Save for KAM APS which only had a management board and had not established a board of directors, the management of each of the KAM Companies comprised a board of directors and a management board. The board of directors had the overall strategic responsibility while the management board comprised executive directors who managed the companies on a day-to-day basis. Pursuant to a shareholders' agreement and an investment agreement dated April 2008 concerning KAM Holding, H3J held decisive influence over the board of directors and the management board of KAM Holding. Mr. Berg no longer held any executive position within the management board of each of the KAM Companies as of 1 September 2008 but only retained his positions as a member of the board of directors of each of KAM Holding, KAM EU and KAM International after H3J purchased a majority of his interest in KAM Holding. To the best knowledge of Mr. Berg, the management board of each of the KAM Companies initiated bankruptcy proceedings by way of voluntary petitions to the District Court of Aarhus, Denmark having aware that further operation of the KAM Companies would result in more accumulated and non-paid debts.

Mr. Berg confirmed that there was no wrongful act on his part leading to the dissolution of the above-mentioned companies, and the dissolutions have not resulted in any liability or obligation being imposed on him.

Mr. Morten Rosholm Henriksen, aged 51, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Henriksen has more than 23 years of experience in the sales and marketing industry. From January 1995 to December 1999, Mr. Henriksen worked for Forlaget Benjamin ApS (currently known as Benjamin Media A/S), at which his last position was publisher. From December 2000 to August 2004, Mr. Henriksen was appointed as managing director of Trade2Trade World Wide ApS (currently known as eBay Classifieds Scandinavia ApS). In January 2005, Mr. Henriksen joined our Group, and was appointed

as a board member of BBM APS. Since September 2006, Mr. Henriksen has been appointed as managing director of GPL APS. In February 2007, Mr. Henriksen was further appointed as a management board member of BBM GMBH.

Mr. Henriksen obtained both a bachelor of science in economics and a master of science in economics and business administration from The Arhus School of Business (currently known as Aarhus BSS) in Denmark in June 1991 and in October 1996, respectively. He also studied in University of Innsbruck in Austria as part of his master programme.

Mr. Cheng Wai Man (鄭偉民), aged 59, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Cheng has more than 24 years of experience in the bags selling, manufacturing and trading industry. In October 1993, Mr. Cheng joined our Group and has been serving as director of GPM since then.

Mr. Cheng was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Full Asia Development Limited	Hong Kong	17 January 2003	Deregistration *(Note 2)*	Investment holding
Grown-Up (Europe) Manufactory Limited	Hong Kong	22 September 2000	Deregistration *(Note 2)*	Inactive
Man Wah Articles *(Note 1)*	Hong Kong	22 July 2016	Deregistration *(Note 3)*	Inactive
Multi Ever Investment Limited	Hong Kong	8 December 2000	Deregistration *(Note 2)*	Investment holding
Sino Full Limited	Hong Kong	9 May 2003	Striking off *(Note 4)*	Inactive
Truebest Development Limited	Hong Kong	3 August 2001	Deregistration *(Note 2)*	Investment holding
Wealth Good Limited	Hong Kong	9 May 2003	Striking off *(Note 4)*	Inactive
GPP *(Note 1)*	Hong Kong	6 January 2017	Deregistration *(Note 3)*	Inactive
Master Giant International Development Limited	Hong Kong	27 March 2009	Deregistration *(Note 2)*	Investment holding

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
East Joy Industrial Limited	Hong Kong	19 November 2010	Deregistration *(Note 2)*	Investment holding
Gold Double Limited	Hong Kong	10 October 2003	Deregistration *(Note 2)*	Investment holding
Million Nice Limited	Hong Kong	28 March 2002	Deregistration *(Note 2)*	Investment holding
Rainbow Horse Limited	Hong Kong	19 November 2010	Deregistration *(Note 2)*	Investment holding
Dingnan Faith Star Industrial Development Co., Ltd	The PRC	1 March 2012	Deregistration	Investment holding

Notes:

1. Further details of the dissolution of each of Man Wah Articles and GPP are set forth in the sections headed "History, Reorganisation and Group structure — Material shareholding changes of our Group prior to and during the Track Record Period — (ii) Dissolution of Man Wah Articles" and "History, Reorganisation and Group structure — Material shareholding changes of our Group prior to and during the Track Record Period — (iii) Dissolution of GPP".

2. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

3. Under section 750 of the Companies Ordinance, an application for deregistration must not be made unless at the time of the application (a) all members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

4. Mr. Cheng confirmed that each of these companies no longer served any purpose nor had any operation before their dissolution. Therefore, Mr. Cheng did not actively take part in maintaining each of them. As each of the above-mentioned companies was not in operation, they were struck off by the Registrar of Companies in Hong Kong.

Mr. Cheng confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies, and the dissolutions have not resulted in any liability or obligation being imposed on him.

Non-executive Directors

Mr. Fung Bing Ngon Johnny (馮炳昂), aged 63, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to our Group.

Mr. Fung has more than 24 years of experience in the handbags manufacturing and trading industry. In October 1993, Mr. Fung joined our Group and has been serving as director of GPM since then.

Mr. Fung completed a fabric science course from Hong Kong Productivity Council in October 1998. He further finished two German language courses from The University of Hong Kong School of Professional and Continuing Education in August 2002 and August 2003, respectively.

Mr. Fung was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Fulliton Limited	Hong Kong	20 April 2001	Deregistration *(Note 2)*	Investment holding
Goldbo Limited	Hong Kong	9 May 2003	Striking off *(Note 4)*	Inactive
Great Vantage Limited	Hong Kong	19 November 2010	Deregistration *(Note 2)*	Investment holding
Grown-Up (Europe) Manufactory Limited	Hong Kong	22 September 2000	Deregistration *(Note 2)*	Inactive
GPP *(Note 1)*	Hong Kong	6 January 2017	Deregistration *(Note 3)*	Inactive
Man Wah Articles *(Note 1)*	Hong Kong	22 July 2016	Deregistration *(Note 3)*	Inactive
Multi Ever Investment Limited	Hong Kong	8 December 2000	Deregistration *(Note 2)*	Investment holding
Sino Full Limited	Hong Kong	9 May 2003	Striking off *(Note 4)*	Inactive
Truebest Development Limited	Hong Kong	3 August 2001	Deregistration *(Note 2)*	Investment holding
Master Giant International Development Limited	Hong Kong	27 March 2009	Deregistration *(Note 2)*	Investment holding
Dingnan Faith Star Industrial Development Co., Ltd	The PRC	1 March 2012	Deregistration	Investment holding

Notes:

1. Further details of the dissolution of each of Man Wah Articles and GPP are set forth in the sections headed "History, Reorganisation and Group structure — Material shareholding changes of our Group prior to and during the Track Record Period — (ii) Dissolution of Man Wah Articles" and "History, Reorganisation and Group structure — Material shareholding changes of our Group prior to and during the Track Record Period — (iii) Dissolution of GPP".

2. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

3. Under section 750 of the Companies Ordinance, an application for deregistration must not be made unless at the time of the application (a) all members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

4. Mr. Fung confirmed that each of these companies no longer served any purpose nor had any operation before their dissolution. Therefore, Mr. Fung did not actively take part in maintaining each of them. As each of the above-mentioned companies was not in operation, they were struck off by the Registrar of Companies in Hong Kong.

Mr. Fung confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies, and the dissolutions have not resulted in any liability or obligation being imposed on him.

Mr. Xiong Jianrui (熊劍瑞), aged 55, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to our Group.

Mr. Xiong has more than 20 years of experience in the telecommunication technology and business management industry. From October 2007 to December 2007, Mr. Xiong was a non-executive director of T S Telecom Technologies Limited (currently known as Great World Company Holdings Ltd) (stock code: 8003), the issued shares of which are listed on the Stock Exchange. From December 2008 to June 2012, he was an executive director of The Quaypoint Corporation Limited (currently known as China Uptown Group Company Limited) (stock code: 2330), the issued shares of which are listed on the Stock Exchange. Since December 2012, Mr. Xiong joined Infinity Group, an Israeli-Chinese fund management platform, and has been serving as one of the venture partners. From June 2017 to December 2018, he was a non-executive director of Anxin-China Holdings Limited (former stock code: 1149), the issued shares of which were formerly listed on the Stock Exchange until 20 December 2018. He is also currently an executive director and the chairman of Z-Obee Holdings Limited (currently known as Alpha Professional Holdings Limited) (stock code: 948), the issued shares of which are listed on the Stock Exchange.

Mr. Xiong obtained a bachelor in information engineering (信息工程系無線電通信專業) from Northwest Telecommunication Engineering Institute (currently known as Xidian University) in the PRC in July 1983.

Mr. Xiong was a director of the following company which was in the process of being compulsorily wound up as at the Latest Practicable Date:

Name of company	Place of incorporation	Date of commencement of proceeding	Nature of proceeding	Indebted amounts	Nature of business
Hong Kong Mercantile Exchange Limited	Hong Kong	15 January 2014	Compulsory winding up	HK$161 million	Electronic exchange for the trading of commodities

As one of the venture partners of Infinity Group, Mr. Xiong was appointed as a director of Hong Kong Mercantile Exchange Limited ("**HKMEx**"), an electronic exchange for the trading of commodity from October 2013 to March 2014 for the purpose of conducting preliminary due diligence on HKMEx in order to explore potential investment opportunities in HKMEx on behalf of Infinity Group. Upon conducting due diligence on HKMEx, the investment was considered unsuitable and Mr. Xiong resigned from his position as director of HKMEx in March 2014. Upon a petition by a creditor dated 15 January 2014, HKMEx underwent compulsory winding up proceedings for a total indebtedness of approximately HK$161 million and an order for the winding up of HKMEx was granted by the Hong Kong Court on 28 April 2014. The creditors of HKMEx convened a scheme meeting on 28 April 2017 pursuant to a court order dated 17 January 2017 for the purpose of approving a scheme of arrangement between HKMEx and its creditors. A further court order was granted on 11 July 2017 ordering that HKMEx be bound by the scheme of arrangement. Mr. Xiong confirmed that the sole purpose of his appointment as director of HKMEx was as set out above and there was no wrongful act on his part leading to the winding up proceedings of HKMEx, and the dissolution has not resulted in any liability or obligation being imposed on him.

Independent non-executive Directors

Mr. Tang Tin Lok Stephen (鄧天樂), aged 42, was appointed as our independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to our Group.

Mr. Tang has over a decade of experience in the private equity and finance industry. From November 2004 to February 2012, Mr. Tang was a director of Deloitte & Touche Financial Advisory Services in which he focused on private equity and merger acquisition transaction in the PRC and APAC region. Mr. Tang then joined Lunar Capital Management Limited and his last position was partner and chief financial officer when he left in August 2017. Since December 2015, he has been serving as an independent non-executive director of Maxnerva Technology Services Limited (stock code: 1037), the issued shares of which are listed on the Stock Exchange.

Mr. Tang obtained both a bachelor of commerce (accounting and finance) and a master of commerce (advanced finance) from The University of New South Wales in Australia in May 2001 and April 2003, respectively. He was admitted as a member of the Institute of Chartered Accountants in Australia in February 2004. Mr. Tang was also admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2012 and is currently a non-practising member thereof.

Mr. Lau Ning Wa Ricky (劉寧樺), aged 33, was appointed as our independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to our Group.

Mr. Lau has more than 8 years of experience in the investment and corporate finance industry. From August 2009 to August 2013, Mr. Lau worked for Standard Chartered Bank, during which he was stationed in Hong Kong, India and Singapore in the bank's corporate banking and corporate advisory departments, and his last position was associate of origination and client coverage division. From August 2013 to April 2016, he worked for Amity Energy Management Pte. Ltd., a Singapore oil storage assets developer under Sebrina Holdings Limited, as associate director. In March 2016, Mr. Lau co-founded Joy Rich Ventures Limited, a financial technology company, and has been serving as director since then. In June 2015, he joined Joy Rich Finance Limited, a licensed money lending institution, and has been serving as director since then. In July 2015, he co-founded Joy Rich Securities Investment Limited, a SFC type 1 licensed securities brokerage firm, and has been serving as director since then.

Mr. Lau obtained a bachelor of science in international business from The University of Warwick in the United Kingdom in July 2008. He further pursued a master of philosophy in real estate finance degree from The University of Cambridge in the United Kingdom and such degree was approved and conferred to him in October 2009 and October 2013, respectively.

Ms. Zhou Jing (周靜), aged 44, was appointed as our independent non-executive Director on 30 May 2019. She is responsible for providing independent advice to our Group.

Ms. Zhou has more than 15 years of experience in international trade accounting and corporate financial management. From April 2002 to October 2008, Ms. Zhou worked for an imports and exports company and was responsible for foreign trade accounting. She then joined an accountant firm and has been serving as one of the partners since then and further served as senior manager in an investment company. She further served as financial director in an online education group and is currently serving as chief investment officer in an investment company. From July 2005 to February 2010, she served as an executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) (stock code: 663), the issued shares of which are listed on the Stock Exchange. From January 2013 to November 2015, Ms. Zhou served as an executive director and chairman of Sustainable Forest Holdings Limited (stock code: 723), the issued shares of which are listed on the Stock Exchange. From May 2013 to August 2014, she served as an independent non-executive director of Perception Digital Holdings Limited (currently known as HongDa Financial Holding Limited) (stock code: 1822), the issued shares of which are listed on the Stock Exchange.

Ms. Zhou obtained a bachelor of economics in accountancy from a university in the PRC in July 1996. She was awarded with Certified Public Accountants qualification in the PRC in March 2003.

Ms. Zhou was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
Fortune Overseas Investment Holdings Limited	Hong Kong	25 July 2014	Deregistration *(Note 1)*	Investment
Glory Wood Enterprises Limited	Hong Kong	6 February 2015	Deregistration *(Note 2)*	Investment

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

2. Under section 750 of the Companies Ordinance, an application for deregistration must not be made unless at the time of the application (a) all members of such company agree to such deregistration; (b) such company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situate in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Ms. Zhou confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on her part leading to the dissolution of the companies, and the dissolutions have not resulted in any liability or obligation being imposed on her.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; and (iii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

The following table sets out information regarding our senior management:

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Role and Responsibility	Relationship with other Directors and senior management
Mr. Henrik Bergholdt	56	Group chief executive officer	1 August 2015	Overseeing our Group's corporate management and business development	Nil
Mr. Lee Chun Ying Andrew (李俊英)	59	Group chief operations officer and general manager (China)	20 June 2016	Overseeing our Group's corporate management and operation	Nil
Ms. Shut Ya Lai (薛雅麗)	36	Group financial director and company secretary	25 February 2013	Overseeing our Group's financial planning, treasury and financial control matters as well as company secretarial matters	Nil

SENIOR MANAGEMENT

Mr. Henrik Bergholdt, aged 56, is our group chief executive officer. Mr. Bergholdt joined our Group in August 2015. He is mainly responsible for overseeing our Group's corporate management and business development.

Mr. Bergholdt has more than 22 years of experience in the sales industry. From August 1995 to June 2006, Mr. Bergholdt worked for Home, a real estate agency in Denmark, at which his last position was sales and marketing director. From July 2006 to January 2014, he worked as chief executive officer of JS World Media A/S. He concurrently served as chief executive officer of JS World Media Holding A/S from June 2011 to January 2015. Since August 2015, Mr. Bergholdt joined our Group and has been serving as group chief executive officer of GPM.

Mr. Bergholdt was a director of the following companies which were dissolved:

Name of company	Place of incorporation	Date of dissolution	Nature of dissolution	Nature of business before dissolution
BI-BO INVEST ApS	Denmark	16 January 2008	Voluntary liquidation	Inactive
GROUP JS LIMITED	The United Kingdom	8 September 2009	Voluntary striking off *(Note)*	Inactive

Note: Mr. Bergholdt confirmed that the company no longer served any purpose nor had any operation before its dissolution. Therefore, Mr. Bergholdt did not actively take part in maintaining the company.

Mr. Bergholdt confirmed that the above-mentioned companies were solvent at the time of dissolution and there was no wrongful act on his part leading to the dissolution of the companies, and the dissolutions have not resulted in any liability or obligation imposed on him.

Mr. Bergholdt does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Lee Chun Ying Andrew (李俊英), aged 59, is our group chief operations officer and general manager (China). Mr. Lee joined our Group in June 2016. He is mainly responsible for overseeing our Group's corporate management and operation.

Mr. Lee has more than 33 years of experience in the operations and production industry. From July 1984 to September 1987, Mr. Lee worked for Lotus Co. (H.K.) at which his last position was assistant manager. From September 1987 to June 1991, he worked for Franklin Mint Far East Trading Limited (currently known as Wonderful Asia Limited) at which his last position was project planning manager. From July 1991 to June 1992, he worked for Intercom Packaging Company Limited as production control manager. From July 1992 to March 1994, he worked for Fisher-Price (H.K.) Ltd at which his last position was senior production planning manager. From April 1994 to December 1999, Mr. Lee worked for Mattel Toys Vendor Operations Ltd. (The name of which was changed to Mattel Vendor Operations Asia Ltd. in October 1995) at which his last position was director, operations planning & control. From January 2000 to August 2000, he worked for Mattel Asia Pacific Sourcing Limited at which his last position was director, operations of fisher price brand. From April 2005 to June 2006, he worked for Spin Master Toys Far East Limited as vice-president, worldwide operations and planning. From August 2006 to November 2008, Mr. Lee worked for Aero Inventory (Hong Kong) Ltd. as operations director. From April 2009 to May 2010, he worked for Kids II Far East Limited as vice president of operations. From May 2010 to May 2011, he worked for Integrated Display Technology Limited concurrently as senior vice president and head of supply chain management. From August 2011 to October 2015, he worked for Atotech Asia Pacific Ltd. as operation manager. Since June 2016, Mr. Lee joined our Group and has been serving as group chief operations officer and general manager (China) of GPM.

Mr. Lee obtained a certificate in chemical technology, a higher certificate in chemical technology, a higher diploma in production and industrial engineering and an associateship in production and industrial engineering from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1980, November 1982, November 1983 and November 1985, respectively. He obtained a certified diploma in accounting and finance from The Chartered Association of Certified Accountants in August 1986. He obtained a postgraduate diploma in engineering management from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1992 and a master of business administration from City University of Hong Kong in November 1997, respectively. Mr. Lee further obtained a doctor of business administration from The Hong Kong Polytechnic University in November 2004.

Mr. Lee does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. Shut Ya Lai (薛雅麗), aged 36, is our group financial director and company secretary. Ms. Shut joined our Group in February 2013. She is mainly responsible for overseeing our Group's financial planning, treasury and financial control matters as well as company secretarial matters.

Ms. Shut has more than 13 years of experience in the auditing and accounting industry. From September 2004 to April 2012, Ms. Shut worked for Ernst & Young at which her last position was manager. In February 2013, Ms. Shut joined our Group and worked as assistant financial controller of GPM. She was subsequently promoted to financial controller in September 2013 and group financial controller of GPM in March 2015. Since June 2016, she has been serving as group financial director of GPM.

Ms. Shut obtained a bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 2004. She was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2009 and is currently a non-practising member thereof.

Ms. Shut does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Shut Ya Lai (薛雅麗) is the company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed "Senior management" above in this section.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements, (iii) to review the effectiveness of our Company's internal audit activities, internal controls and risk management systems, and (iv) to develop and implement policy on engaging external auditor to supply non-audit services. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. Mr. Tang Tin Lok Stephen is the chairman of the audit committee.

Nomination committee

Our Company established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management. Our nomination committee currently consists of an executive Director, namely Mr. Thomas Berg, and three of our independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. Mr. Thomas Berg is the chairman of the nomination committee.

Remuneration committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of an executive Director, namely Mr. Thomas Berg, and three of our independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. Mr. Lau Ning Wa Ricky is the chairman of our remuneration committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation accrued to our Directors for the years ended 31 December 2016, 2017 and 2018 were approximately HK$10.3 million, HK$7.6 million and HK$6.0 million, respectively. No discretionary bonuses were granted during the same period.

For the years ended 31 December 2016, 2017 and 2018, our Group's five highest paid individuals included four, three and two of our Directors.

Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately HK$5.4 million.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for the years ended 31 December 2016, 2017 and 2018. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of each of the years ended 31 December 2016, 2017 and 2018, by us or any of our subsidiaries to our Directors.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, their time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

We have appointed Dakin Capital Limited to be our compliance adviser upon Listing in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2020), or until the agreement is terminated, whichever is earlier;

- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

- our Company will consult with and, if necessary, seek advice from our compliance adviser in the following circumstances:

  (a) before the publication of any regulator announcement, circular or financial report;

  (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

  (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and

  (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and

- the compliance adviser will serve as a channel of communication with the Stock Exchange.

FUTURE PLANS

Further description of our future plans are set forth in the section headed "Business Our Business Strategies" in this prospectus.

USE OF PROCEEDS

We estimate the net proceeds from the new Shares as part of the Share Offer which we will receive, based on the Offer Price of HK$0.5 per Offer Share, will be approximately HK$49.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Share Offer for the following purposes:

- approximately HK$8.1 million or approximately 16.3% of the net proceeds for intensifying our design and development efforts on the licensed brand products to deepen our market penetration. We intend to spend:

  (a) approximately HK$2.2 million on developing and launching a new collection of bag products for distribution in the PRC market and approximately HK$5.4 million on developing and launching a new collection of luggage products for distribution in the global market; and

  (b) approximately HK$0.5 million on the construction of a product library within our existing showroom in the global development and supply chain centre in Shenzhen, which will be designated for the marketing promotion of licensed brand products of Licensor B.

- approximately HK$5.7 million or approximately 11.4% of the net proceeds for enhancing our design and development capabilities. We intend to spend:

  (a) approximately HK$3.7 million on hiring a new head designer to lead our product design and development team;

  (b) approximately HK$1.7 million on hiring a new luggage designer for designing and developing luggage products; and

  (c) approximately HK$0.3 million on the construction of a product laboratory in our Hong Kong head office for design and development as well as marketing purpose.

- approximately HK$7.3 million or approximately 14.6% of the net proceeds for expanding our sales and marketing network.

  We intend to spend:

  (a) approximately HK$2.2 million on participating in exhibitions in Europe, U.S. and Asia to promote our licensed brand products and *Ellhehammer* brand products to potential distributors;

  (b) approximately HK$2.6 million on hiring a commercial director based in the PRC, who will be responsible for identifying new distributors in the PRC market; and

  (c) approximately HK$2.5 million on development of a global web portal to replace our existing distributor order system for distribution of branded products.

- approximately HK$11.8 million or approximately 23.7% of the net proceeds together with approximately HK$11.9 million of our internal resources for enhancing and expanding our manufacturing capabilities.

  We intend to spend:

  (a) approximately HK$12.0 million on replacing certain of the existing machinery and equipment in both our Shenzhen Factory and Jiangxi Factory and acquiring additional units of machinery and equipment for setting up of 12 additional production lines in the new production building in our Jiangxi Factory. The 12 additional production lines are expected to launch in two phases, with the first eight production lines commencing service in January 2021 and the remaining four production lines commencing service in January 2022. The new machinery and equipment to be acquired include various types of computerised sewing machines including zig-zag sewing machine, double needle lockstitch machine and bartack sewing machine, fabric spreading machine and fabric inspecting machine; and

  (b) approximately HK$11.7 million expected to be incurred in 2019 on construction of a new production building with 12 additional production lines in our Jiangxi Factory to (i) cater the needs of our existing customers; (ii) take up production orders from new customers, particularly in the PRC and APAC region; and (iii) reduce our engagement of subcontractors. We intend to engage an external consultant to assist us on obtaining the required permits and approvals from the relevant government departments prior to commencement of construction. The manufacturing facilities in the new building are expected to be ready in use in 2020;

- approximately HK$4.6 million or approximately 9.2% of the net proceeds for enhancing our information technology management system to enhance operational efficiency;

- approximately HK$7.5 million or approximately 15.0% of the net proceeds to repay certain outstanding bank loans. Further details of the maturity profile and interest rate of the outstanding bank loans are set forth in the section headed "Financial information — liquidity and capital resources" in this prospectus; and

- approximately HK$4.9 million or 9.8% will be used for working capital of our Group.

REASONS FOR THE LISTING

The Listing is strategically critical to the long-term growth of our Group as it will enhance our corporate profile and recognition, assisting us in reinforcing our Group awareness and image, strengthen our competitiveness, capture more business opportunities, provide us with additional avenues to raise capital in the long run and ultimately lay a solid foundation for our business. Our Directors believe it is necessary for us to raise funds through the Share Offer for the following reasons:

- **Necessity of fund raising through the Share Offer**

  Our Directors consider that our present development plans to obtain new licence rights, intensify our design and development efforts on the licensed brand products, enhance our design and development capabilities, expand our sales and marketing network, enhance and expand our manufacturing capabilities and enhance our information technology management system are mutually complementary and would require over HK$49.4 million. Therefore, we consider that our present development plans are not feasible to be financed solely with debt financing and our internal resources (excluding the expected net proceeds from the Listing) and that equity financing can provide additional funding on top of our available financial resources as at the Latest Practicable Date and is essential to our expansion plan and future development, taking into account the following factors:

  (a) Having considered our Group's high gearing ratio at approximately 117.5 % as at 31 December 2018, our Directors consider that further undue reliance on bank borrowings to finance our Group's capital and cash flow requirements would not be commercially feasible as it would place considerable financial burden on our Group as well as our Controlling Shareholders, which would in turn curtail our long-term sustainability and room for business development.

  As of 30 April 2019, we have cash at bank and on hand of approximately HK$7.6 million and banking facilities granted to our Group for our business operation of approximately HK$242.9 million, of which

approximately HK$79.3 million of such banking facilities had not been utilised. Pursuant to the terms and conditions, among the unutilised facilities, approximately HK$72.6 million of such banking facilities are import invoice financing or factoring loans. Therefore, these banking facilities are stand-alone facilities which can only be drawn under conditions specified in the relevant facility letters, for instance, import/export transactions with approved suppliers, and cannot be utilised by us for other purposes. Furthermore, our current banking facilities contain certain clauses, for instance, the repayment on demand clause, by which the banks have the rights to call back our bank loans at any time should they consider individual circumstances or market condition unfavourable. We are subject to the risk that we will fail to renew or obtain bank borrowings, which our business operation and development plans will be materially and adversely affected.

We have approached our two current major banks which we have long-term relationship with. As at 30 April 2019, these two banks provided 87.7% of the Group's total facilities and indicated that it is unlikely for the Group to obtain any new or incremental facility without additional collaterals. Given that the remaining available assets the Group can pledge are very limited, and further debt financing will only be available when the Group can provide other collateral as security, the Directors are of the view that further debt financing is not feasible for the Group's business expansion. Therefore, equity financing is the sole available option to obtain capital for business expansion.

(b) Our financial performance and liquidity may be negatively affected if market uncertainty suddenly arose e.g. rise in interest rate or tariff in the United States and any sudden unexpected deterioration in the prevailing market conditions in backpack and luggage industry leading to imposition of additional requirement to regular repayment of interest and principal to our Group regardless of the performance of the business of our Group;

(c) If we raise additional funds by incurring debt financing, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to obtain additional financing. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected;

(d) Our Directors consider that our Company, without a listing status, would be difficult to obtain debt financing without guarantees or other collateral to be provided by our Controlling Shareholders. It is anticipated that additional bank borrowings to our Group would require our Controlling Shareholders to provide additional guarantees and/or fixed assets as collateral if our Company were not listed. This is supported by the fact that the lending bank was willing to release the guarantees provided by our Controlling Shareholders, subject to, among other things, our Company being successfully listed on the Stock Exchange. Furthermore, the continuous reliance on our Controlling Shareholders for provision of personal guarantee and other form of financial assistance is a hindrance to our Group's future development and to our Group in achieving financial independence;

(e) The regular financial reporting requirement under the Listing Rules can enable the bank to evaluate and monitor our Group's financial position more effectively and therefore is expected to smoothen the approval process for any future additional bank borrowings. The better accessibility to banking facilities allow us more flexibility in management of the cash flow of our business that can be affected by factors including those set out in the section headed "Risk factors" in this prospectus; and

(f) Our Directors consider that our customers and suppliers and will give preference to company who has little debt burden, and hence at a lower risk of defaulting and becoming financially vulnerable.

Furthermore, although as at 30 April 2019, our Group recorded net amounts due from directors, related companies, immediate holding companies and the ultimate holding company in aggregate of approximately HK$32.3 million (the "**Due Amount**"), which will be settled upon Listing, our Directors consider to utilise such resources upon Listing in the below manner:

(a) To use approximately HK$11.9 million of the Due Amount, together with approximately HK$11.8 million of the net proceeds from the Share Offer to build new production premises and install modern and automated production equipment in order to enhance and expand our Group's in-house production capacity;

(b) To use approximately HK$16.4 million of the Due Amount to repay our Group's overdraft from a bank with HK$16.4 million. Since the interest rate of the bank overdraft is relatively high, our Directors believe that it is necessary to reduce the high cost of financing by repaying bank overdraft;

As mentioned above, our Directors consider that it is necessary to maintain a disciplined financial strategy with a gearing ratio at around 65%, therefore the payment of bank overdraft of HK$16.4 million by using the Due Amount and HK$7.5 million by using the net proceeds from the Share Offer could serve to lower the Group's gearing ratio from approximately 94.0% as at 30 April 2019 to approximately 61.4% upon Listing; and

(c) To set aside a fund of approximately HK$4.0 million for potential product development plans for the Group's license brand business. The Group had identified three brand licensors and license agencies for the manufacturing of bags and luggage. The Group has been in touch with representatives from these brand licensors and license agencies.

Therefore, in view of our Group's designated usage of the Due Amount, together with the factors mentioned above, our Directors consider that there are imminent funding needs for us to fund our expansion plan and future development.

- **Commercial rationale for the Listing**

Our Directors believe that a public listing status on the Stock Exchange can strengthen our Group's reputation, credibility and competitiveness to facilitate our business development. The increased level of information transparency after Listing would also give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company in Hong Kong would also raise our Group's reputation amongst our competitors which would help implement our business strategies and expand our customer base and our market share in the industry.

Our Directors believe that the Listing status is strategically critical to our long-term growth as it will provide us with additional sources to raise capital for expansion and other development needs. Following the Listing, we will have access to the capital markets, providing us additional sources for future fundraising through the issuance of equity and debt securities for business expansion.

Assuming that the Over-allotment Option is not exercised, the net proceeds from the Share Offer which our Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Share Offer payable by our Company, will be approximately HK$49.9 million based on the Offer Price of HK$0.5.

If the Over-allotment Option is exercised in full, the net proceeds will increase to approximately HK$68.7 million, based on the Offer Price of HK$0.5 per Offer Share. Additional net proceeds received due to the exercise of the Over-allotment Option will be used for the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term demand deposits with banks in Hong Kong and/or through money market instruments.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares (after deduction of the underwriting fees and commissions and estimated Listing expenses payable by the Selling Shareholder, based on Offer Price of HK$0.5 per Offer Share and the Over-allotment Option is not exercised) are approximately HK$34.3 million. We will not receive any of the net proceeds from the Selling Shareholder.

PUBLIC OFFER UNDERWRITER

Dakin Securities Limited
Opus Capital Limited
China Investment Securities International Brokerage Limited
HK Monkey Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters) shall have the absolute right upon giving a written notice to our Company to terminate the Public Offer Underwriting Agreement if any of the following events occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

A. if it has come to the notice of the Sole Sponsor and the Joint Lead Managers:

(a) any matter or event showing any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of such representations, warranties and undertakings or any other provision of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters), to be material in the context of the Public Offer; or

(b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters) in the context of the Public Offer; or

(c) any statement contained in this prospectus considered to be material by the Joint Lead Managers in their reasonable opinion which is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters) to be material; or

(d) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or

(e) any breach by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which is considered in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters) to be material; or

(f) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters), so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer; or

(g) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or

(h) any person (other than the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus; or

B. if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(a) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the Cayman Islands, the BVI, the PRC or any other jurisdiction relevant to any member of our Group (the "**Relevant Jurisdictions**"); or

(b) any change (whether or not permanent) in local, national or international stock market conditions; or

(c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchanges in the United States, the United Kingdom or the PRC due to exceptional financial circumstances or otherwise; or

(d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or

(e) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(f) any change or development (whether or not permanent), or any event or series of events resulting in any change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any of the Relevant Jurisdictions; or

(g) a general moratorium on commercial banking business activities in any of the Relevant Jurisdictions declared by the relevant authorities; or

(h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out; or

(i) any litigation or claim of any third party being threatened or instigated against any member of our Group, the executive Directors and/or our Controlling Shareholders; or

(j) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(k) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(l) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to any of the Relevant Jurisdictions; or

(m) a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(n) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any loss or damage sustained any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(o) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any action, against any Director; or

(p) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

(q) the chairman or chief executive officer of our Company vacating his office; or

(r) any prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus; or

(s) other than with the approval of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to this prospectus (or to any documents used in connection with the Share Offer) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(t) any event which gives rise or would give rise to any liability on the part of our Company and/or our Controlling Shareholders pursuant to the indemnity provisions contained in the Public Offer Underwriting Agreement; or

(u) a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by our Company under the Public Offer Underwriting Agreement,

which, individually or in the aggregate, in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Sole Sponsor, the Joint Bookrunners and the Underwriters):

(a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or

(b) has or will have or is likely to have a material adverse effect on the success of the Share Offer; or

(c) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Share Offer.

Undertakings to the Stock Exchange under the Listing Rules

A. Undertakings by our Company

We have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08 of the Listing Rules.

B. Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer and the stock borrowing agreement (if applicable), it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) on a collective basis.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

(a) in the event that it/he pledges or charges any direct or indirect interest in our Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan under the Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to the Listing Rules, inform our Company immediately thereafter, disclosing the details specified in the Listing Rules; and

(b) having pledged or charged any interest in our Shares under paragraph (a) above, inform our Company immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to any of the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Lead Managers, such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, during the six months immediately following the Listing Date (the "**First Six-month Period**"):

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and the Company that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and it/his associates and companies controlled by it/he and any nominee or trustee holding in trust for it/him shall not, without the prior written consent of the Joint Lead Managers, unless pursuant to the stock borrowing agreement (if applicable) and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that it/he shall not, and shall procure that the relevant registered holder(s) and it/his associates or companies controlled by it/him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Joint Lead Managers unless pursuant to the stock borrowing agreement (if applicable) and/or the Share Option Scheme and unless in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, or enter into any of the transaction in paragraphs (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, transfer, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) or

would together with the other Controlling Shareholders cease to be/or regarded as controlling shareholders (as defined in the Listing Rules) on a collective basis.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, it/he will:

(a) when it/he pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Joint Lead Managers in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(b) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Lead Managers in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this prospectus.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Underwriting arrangements and expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Underwriting commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 8% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commissions and selling concessions. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

Based on the Offer Price of HK$0.5 per Offer Share, the aggregate fees and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy will be borne by our Company and the Selling Shareholder with reference to the number of new Shares and Sale Shares under the Share Offer on a pro-rata basis.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

COMPLIANCE ADVISER'S AGREEMENT

Our Company has appointed Dakin Capital Limited to act as the compliance adviser to our Company for the purpose of the Listing Rules for a period from the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) as described under the section headed ''Structure and conditions of the Share Offer — The Public Offer'' in this prospectus; and

- the Placing of 225,000,000 Shares, comprising 145,000,000 new Shares and 80,000,000 Sale Shares (subject to reallocation as mentioned below) as described under the section headed ''Structure and conditions of the Share Offer — The Placing'' in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed ''Structure and conditions of the Share Offer — Pricing and Allocation'' in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price is fixed at HK$0.5 per Offer Share, unless otherwise announced.

Price payable on application

Applicants under the Public Offer must pay, on application, an Offer Price of HK$0.5 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$2,020.15 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Lead Managers and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of basis of allocations

The level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 27 June 2019 on the Stock Exchange's website at **www.hkexnews.hk** and on our Company's website at **www.grown-up.com**.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);

- the execution and delivery of the Placing Underwriting Agreement on or about 17 June 2019; and

- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on our Company's website on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Thursday, 27 June 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 June 2019, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, (assuming that the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will comprise 12,500,000 Public Offer Shares and Pool B will comprise 12,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are undersubscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of the Offer Shares initially available for subscription under the Public Offer, then 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing so that

the total number of the Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;

(iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and

(v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Lead Managers may in its sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

Applications

The Joint Lead Managers (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 225,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the ''book building'' process described in paragraph headed ''Pricing and allocation'' above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

The Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Lead Managers (for itself and on behalf of the Joint Bookrunners and the Underwriters) at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 37,500,000 Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

STOCK BORROWING AGREEMENT

Dakin Securities Limited, as stabilising manager, or any person acting for it may choose to borrow 37,500,000 Shares from GPG, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with GPG will only be effected by the stabilising manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares borrowed from GPG under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to GPG or its nominees on or before the third business day following the earlier of (i) the last day on which the Overallotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from this to time agree in writing;

- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

- no payment will be made to GPG by the stabilising manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

In connection with the Share Offer, Dakin Securities Limited as stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Dakin Securities Limited or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Dakin Securities Limited and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 37,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- Dakin Securities Limited, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for Dakin Securities Limited, or any person acting for it, will maintain such a position;

- liquidation of any such long position by Dakin Securities Limited may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day falling within 30 days after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

In connection with the Share Offer, Dakin Securities Limited may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, Dakin Securities Limited may borrow up to 37,500,000 Shares from GPG, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 June 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 28 June 2019. The Shares will be traded in board lots of 4,000 Shares.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- a close associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Offer Shares under the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 13 June 2019 until 12:00 noon on Tuesday, 18 June 2019 from:

(i) the following address of the Public Offer Underwriters:

- Dakin Securities Limited, at Suite 3509, 35/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
- Opus Capital Limited, at 18/F, Fung House, 19-20 Connaught Road Central, Central, Hong Kong
- China Investment Securities International Brokerage Limited, at Unit No. 7701A & 05B-08, Level 77, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
- HK Monkey Securities Limited, at Unit 2307, Tower 1, Lippo Center, 89 Queensway, Admiralty, Hong Kong

(ii) any of the following branches of DBS Bank (HK) Limited:

	Branch name	Address
Hong Kong Island	North Point Branch	G/F, 391 King's Road, North Point
	Aberdeen Branch	Shops A & B, G/F, Units A & B, 1/F, On Tai Building, 1-3 Wu Nam Street, Aberdeen
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 13 June 2019 until 12:00 noon on Tuesday, 18 June 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Grown Up Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the Receiving bank listed above, at the following times:

- Thursday, 13 June 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, 14 June 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, 15 June 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, 17 June 2019 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 18 June 2019 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 18 June 2019 the last application day or such later time as described in the paragraph headed "— 10. Effect of bad weather on the opening of the application lists'' in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company (for ourselves and on behalf of the Selling Shareholder) and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in ''Personal collection'' section in this section to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed ''2. Who can apply'' in this section may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 13 June 2019 until 11:30 a.m. on Tuesday, 18 June 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 18 June 2019 or such later time under the paragraph headed ''10. Effect of bad weather on the opening of the application lists'' in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares not participated in the Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Selling Shareholder, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday

in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:[(1)]

- Thursday, 13 June 2019 — 9:00 a.m. to 8:30 p.m.

- Friday, 14 June 2019 — 8:00 a.m. to 8:30 p.m.

- Monday, 17 June 2019 — 8:00 a.m. to 8:30 p.m.

- Tuesday, 18 June 2019 — 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 13 June 2019 until 12:00 noon on Tuesday, 18 June 2019 (24 hours daily, except on Tuesday, 18 June 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 18 June 2019, the last application day or such later time as described in the paragraph headed ''10. Effect of bad weather on the opening of the application lists'' in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed ''Personal data'' applies to any personal data held by our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, the Receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, 18 June 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked ''For nominees'' you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

''Unlisted company'' means a company with no equity securities listed on the Stock Exchange. ''Statutory control'' means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further details on the Offer Price are set forth in the section headed ''Structure and conditions of the Share Offer – Pricing and allocation'' in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a ''black'' rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 18 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Tuesday, 18 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a ''black'' rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed ''Expected timetable'' in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 27 June 2019 our Company's website at **www.grown-up.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.grown-up.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 27 June 2019;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResults** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 27 June 2019 to 12:00 midnight on Thursday, 4 July 2019;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 27 June 2019 to Wednesday, 3 July 2019 on a Business Day;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 27 June 2019 to Tuesday, 2 July 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 27 June 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport

number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 27 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 28 June 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed ''Underwriting'' in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 27 June 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 27 June 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 27 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

  For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in ''Publication of Results'' above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 27 June 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 27 June 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed ''– 11. Publication of results'' in this section on Thursday, 27 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before Thursday, 27 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time) on Thursday, 27 June 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 27 June 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GROWN UP GROUP INVESTMENT HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of Grown Up Group Investment Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-75, which comprises the statement of financial position of the Company as at 31 December 2018, the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-75 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 June 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018, the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 29 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 June 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

*The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").*

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

		Year ended 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5*	630,370	660,048	677,464
Cost of sales	*8*	(507,291)	(519,146)	(522,564)
Gross profit		123,079	140,902	154,900
Other income	*6*	1,106	1,076	839
Other gains, net	*7*	2,037	2,792	60
Selling and distribution expenses	*8*	(39,190)	(44,922)	(42,708)
Administrative expenses	*8*	(53,269)	(59,494)	(71,499)
Profit from operations		33,763	40,354	41,592
Finance income	*10*	604	854	1,343
Finance costs	*10*	(4,864)	(5,581)	(6,793)
Finance costs, net	*10*	(4,260)	(4,727)	(5,450)
Profit before income tax		29,503	35,627	36,142
Income tax expense	*11*	(4,885)	(7,298)	(9,023)
Profit for the year		24,618	28,329	27,119
Other comprehensive (loss)/income:				
Item that may be reclassified to profit or loss				
Currency translation differences		(729)	2,519	(1,468)
Total comprehensive income for the year		23,889	30,848	25,651
Earnings per share attributable to owners of the Company for the year				
Basic and diluted	*12*	2.46	2.83	2.71

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016, 2017 AND 2018

		As at 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*13*	30,127	32,852	30,681
Financial assets at fair value through profit or loss	*21*	1,226	6,948	7,002
Investment property	*14*	1,050	1,200	1,300
Intangible assets	*15*	45,206	40,112	48,297
Prepaid land lease payments	*16*	1,391	1,352	1,313
Deferred income tax assets	*26*	600	1,639	1,111
		79,600	84,103	89,704
Current assets				
Inventories	*17*	61,507	57,865	30,038
Trade and other receivables	*18*	138,025	171,726	218,984
Amounts due from directors	*19*	4,963	7,704	7,739
Amount due from the ultimate holding company	*20*	–	–	5,798
Amount due from the immediate holding company	*20*	52,130	9,142	–
Amounts due from related companies	*20*	14,997	21,877	31,295
Tax recoverable		133	–	777
Pledged deposits	*22*	19,289	19,971	26,011
Cash at bank and on hand	*22*	20,893	21,523	17,631
		311,937	309,808	338,273
Non-current assets held-for-sale	*13*	6,563	–	–
		318,500	309,808	338,273
Total assets		398,100	393,911	427,977

	Note	As at 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	*28(a)*	–	–	–*
Other reserves		(3,477)	(36,118)	(37,586)
Retained earnings		122,203	110,532	117,651
Total equity		118,726	74,414	80,065
Non-current liabilities				
Licence fees payable	*25*	22,270	14,115	20,229
Obligations under finance leases	*27*	181	3,948	3,107
Deferred income tax liabilities	*26*	73	306	560
		22,524	18,369	23,896
Current liabilities				
Trade and other payables	*23*	157,505	192,464	199,039
Contract liabilities	*23*	14,541	7,995	1,995
Licence fees payable	*25*	9,219	10,377	11,761
Amount due to the immediate holding company	*20*	–	–	10,520
Amount due to a related company	*20*	250	250	–
Obligations under finance leases	*27*	95	1,632	1,870
Bank overdraft	*24*	11,915	15,774	17,023
Bank and other borrowings	*24*	57,079	61,253	72,048
Tax payable		6,246	11,383	9,760
		256,850	301,128	324,016
Total liabilities		279,374	319,497	347,912
Total equity and liabilities		398,100	393,911	427,977

* Below HK$1,000.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2018

	Note	*HK$'000*
Non-current asset		
Investment in a subsidiary		72,235
Current assets		
Prepayments		5,323
Amount due from a subsidiary		20,000
Cash at bank		1
		25,324
Total assets		97,559
EQUITY AND LIABILITIES		
Share capital	*28(a)*	–*
Capital reserve	*28(b)*	72,234
Accumulated losses	*28(b)*	(13,091)
Total equity		59,143
Current liabilities		
Accruals and other payables		2,518
Amount due to the immediate holding company		20,000
Amounts due to subsidiaries		15,898
		38,416
Total equity and liabilities		97,559

* Below HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

	Share capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	–	351	(3,099)	97,585	94,837
Profit for the year	–	–	–	24,618	24,618
Other comprehensive loss:					
Item that may be reclassified to profit or loss					
– Currency translation differences	–	–	(729)	–	(729)
Total comprehensive income for the year	–	–	(729)	24,618	23,889
At 31 December 2016	–	351	(3,828)	122,203	118,726

	Share capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	–	351	(3,828)	122,203	118,726
Profit for the year	–	–	–	28,329	28,329
Other comprehensive income:					
Item that may be reclassified to profit or loss					
– Currency translation differences	–	–	2,519	–	2,519
Total comprehensive income for the year	–	–	2,519	28,329	30,848
Transactions with owners in the capacity as owners					
Deemed distribution to the immediate holding company *(Note 1.2(ii))*	–	(35,160)	–	–	(35,160)
Dividend *(Note 29)*	–	–	–	(40,000)	(40,000)
Total transactions with owners in the capacity as owners	–	(35,160)	–	(40,000)	(75,160)
At 31 December 2017	–	(34,809)	(1,309)	110,532	74,414

	Share capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	–	(34,809)	(1,309)	110,532	74,414
Profit for the year	–	–	–	27,119	27,119
Other comprehensive loss					
Item that may be reclassified to profit or loss					
– Currency translation differences	–	–	(1,468)	–	(1,468)
Total comprehensive income for the year	–	–	(1,468)	27,119	25,651
Transaction with owners in the capacity as owners					
Issuance of shares pursuant to the Reorganisation	–*	–	–	–	–
Dividend *(Note 29)*	–	–	–	(20,000)	(20,000)
At 31 December 2018	–*	(34,809)	(2,777)	117,651	80,065

* Below HK$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

		Year ended 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Cash generated from operations	*30(a)*	53,408	45,504	26,621
Income tax paid		(4,855)	(2,834)	(10,641)
Net cash generated from operating activities		48,553	42,670	15,980
Cash flows from investing activities				
Interest received		604	854	1,343
Purchase of property, plant and equipment		(5,566)	(2,367)	(3,624)
Purchase of intangible assets		–	(1,317)	–
Purchase of financial asset at fair value through profit or loss		–	(6,948)	–
Proceeds from disposals of property, plant and equipment	*30(a)*	1,393	303	–
Proceeds from disposals of financial assets at fair value through profit or loss	*30(a)*	–	1,128	–
Amount due from the ultimate holding company		–	–	(5,798)
Amount due from the immediate holding company *(Note)*		(25,115)	(23,172)	(338)
Amounts due from related companies		(6,107)	(6,880)	(9,418)
Amounts due from directors		(922)	(2,741)	(35)
Changes in pledged deposits		144	(682)	(6,040)
Net cash used in investing activities		(35,569)	(41,822)	(23,910)

	Note	Year ended 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000
Cash flows from financing activities				
Proceeds from bank borrowings		177,247	213,953	199,840
Repayment of bank borrowings		(188,372)	(209,779)	(189,045)
Interest paid		(4,623)	(4,807)	(6,144)
Listing expense paid (equity portion)		–	(435)	(2,946)
Obligations under finance leases		(699)	(1,413)	(839)
Amount due to a related company		(75)	–	(250)
Net cash (used in)/generated from financing activities	*30(b)*	(16,522)	(2,481)	616
Net decrease in cash and cash equivalents		(3,538)	(1,633)	(7,314)
Cash and cash equivalents at beginning of the year	*22*	12,105	8,978	5,749
Exchange differences		411	(1,596)	2,173
Cash and cash equivalents at end of the year	*22*	8,978	5,749	608

Note:

Non-cash transactions of HK$35,160,000 from step (ii) of the reorganisation in Note 1.2, dividend of HK$40,000,000 and proceeds in respect of disposal of non-current assets held-for-sale of HK$9,000,000 were settled by crediting/charging to the current account with the immediate holding company during the year ended 31 December 2017.

Dividend of HK$20,000,000 was settled by crediting to the current account with the immediate holding company during the year ended 31 December 2018.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

Grown Up Group Investment Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively, the "**Group**") are designing, developing, manufacturing and selling bag and luggage products (the "**Listing Business**").

The ultimate holding company of the Company is Berg Group Holding Limited. The ultimate controlling parties of the Group are Mr. Thomas Berg ("**Mr. Berg**") and Mr. Morten Rosholm Henriksen ("**Mr. Henriksen**") (together the "**Controlling Shareholders**").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Listing Business is conducted through the subsidiaries now comprising the Group under Grown-Up Group Holdings Limited ("**GHL HK**") (the "**Track Record Period**").

In preparing for listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) Disposal of the Elements Group Investment Holdings Limited ("EGIHL") and its subsidiaries ("Elements Group") by Grown-Up Group Holdings Limited BVI ("GHL BVI")

On 19 October 2017, GHL BVI, a wholly-owned subsidiary of the Group disposed its entire interest in EGIHL to Group One Industries Limited ("**Group One**"), a company which is beneficially owned by Mr. Berg at a nominal consideration of US$1. After the aforesaid share transfer, the Group no longer had any interest in Elements Group. Elements Group is principally engaged in manufacturing and sale of kitchen-related products. Elements Group was excluded from the Group throughout the Track Record Period as it did not form part of the Listing Business.

(ii) Transfer of 25% interest in GHL HK to GHL BVI

On 28 October 2017, GHL BVI acquired 1,250,000 shares of GHL HK (representing 25% of the issued share capital of GHL HK) from the immediate holding company at a consideration of HK$35,160,000, which was settled by crediting to the amount due from the immediate holding company and is accounted for as a transaction with owners in the consolidated statement of changes in equity. After the aforesaid share transfer, GHL HK became wholly-owned by GHL BVI.

(iii) Acquisition of 20% of interest in Grown-Up License Limited "GPL HK" and 20% interest in Grown-Up Licenses ApS ("GPL APS")

On 9 October 2018, the immediate holding company acquired 20% of the equity interest in GPL HK (which was transferred from Mr. Henriksen to Rosholm Holding ApS ("**RHS**") on 29 November 2017) and 20% of the equity interest in GPL APS from RHS, a company beneficially owned by Mr. Henriksen. In consideration of the aforesaid transactions, 111 shares of the immediate holding company were allotted issued and credited as fully paid to RHS. Subsequently, the said equity interests in GPL HK and GPL APS held by the immediate holding company were further transferred to GHL HK and GPL HK at a consideration of HK$13,500,000 and HK$1,460,000 on 10 October 2018 and 12 October 2018, respectively, such that GPL APS became a wholly-owned subsidiary of GPL HK and GPL HK became a wholly-owned subsidiary of GHL HK.

(iv) Incorporation of the Company

On 8 February 2018, the Company was incorporated in the Cayman Islands with one fully paid share issued to the initial subscriber. On the same day, such subscriber share was transferred to GP Group Investment Holding Limited ("**GPG**"), the immediate holding company. As a result, the Company became wholly-owned by GPG.

On 12 October 2018, the Company acquired 84 shares and 16 shares of GHL BVI (representing 84% and 16% of the entire issued share capital of GHL BVI, respectively) from GPG and Favourable Outcome Limited (the "**Pre-IPO Investor**"), respectively. In consideration of the aforesaid acquisitions, 7,435 shares, 1,600 shares and 964 shares were allotted, issued and credited as fully paid to GPG, the Pre-IPO Investor and Berg Group Holding Limited ("**Berg Group**"), respectively.

After the aforesaid acquisitions, allotments and issues, GHL BVI became a wholly-owned subsidiary of the Company.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

At the date of this Report, the Company has direct and indirect interests in the following subsidiaries now comprising the Group:

Name of subsidiary	Date of incorporation	Place/country of establishment/ operation	Principal activity	Issued and paid-up capital	Attributable equity interest of the Company							
					31 December 2016		31 December 2017		31 December 2018		At date of this report	
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Grown-Up Group Holdings Limited *(Note i)* 植華集團控股有限公司 ("**GHL BVI**")	9 June 2005	BVI	Investment holding	US$100	100%	–	100%	–	100%	–	100%	–
Grown-Up Group Holdings Limited *(Note ii)* 植華集團控股有限公司 ("**GHL HK**")	16 December 2005	Hong Kong	Investment holding	HK$5,000,000	–	100%	–	100%	–	100%	–	100%
Grown-Up Manufactory Limited 植華製造廠有限公司 *(Note ii)*	11 July 1989	Hong Kong	Manufacturing and trading of bags and luggage	HK$5,000,000	–	100%	–	100%	–	100%	–	100%
Grown-Up Licenses Limited 植華授權品牌有限公司*(Note ii)* ("**GPL HK**")	12 November 2004	Hong Kong	License and brand business	HK$100	–	100%	–	100%	–	100%	–	100%
GP Manufactory Hong Kong Limited 植華製造廠(香港)有限公司*(Note ii)*	30 July 2004	Hong Kong	Investment holding	HK$1	–	100%	–	100%	–	100%	–	100%
GP Manufactory China Limited 港植華商貿(深圳)有限公司 *(Note iv)*	28 February 2011	People's Republic of China (the "**PRC**")	Trading and provision of product development and supply chain services for bags and luggage	HK$2,000,000	–	100%	–	100%	–	100%	–	100%
GP1 Shenzhen Plant Limited 文華日用品(深圳)有限公司 *(Note iv)*	20 September 2004	The PRC	Manufacturing of bags and luggage	US$1,250,000	–	100%	–	100%	–	100%	–	100%
GP2 Xinfeng Plant Limited 江西集友日用品有限公司 *(Note v)*	25 August 2004	The PRC	Manufacturing of bags and luggage	US$3,000,000	–	100%	–	100%	–	100%	–	100%
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd. 植華箱包(深圳)有限公司 *(Note vi)*	16 October 2018	The PRC	License and brand business	RMB1,000,000	–	–	–	–	–	100%	–	100%

Name of subsidiary	Date of incorporation	Place/country of establishment/ operation	Principal activity	Issued and paid-up capital	Attributable equity interest of the Company							
					31 December 2016		31 December 2017		31 December 2018		At date of this report	
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Ricktake Development Limited 裕利高發展有限公司 *(Note vii)*	6 June 1996	Hong Kong	Inactive	HK$2	–	100%	–	100%	–	100%	–	100%
Grown-Up Licenses ApS *(Note iii)* ("**GPL ApS**")	1 January 2006	Denmark	License and brand business	DKK3,257,812	–	100%	–	100%	–	100%	–	100%
Grown-Up ApS *(Note iii)*	16 December 2005	Denmark	Trading of bags and luggage	DKK2,625,000	–	100%	–	100%	–	100%	–	100%
Tignum ApS (Note iii)	22 September 2004	Denmark	Lessee of Denmark office premises	DKK125,000	–	100%	–	100%	–	100%	–	100%
Berg Brand Management ApS *(Note iii)*	12 December 2003	Denmark	Distribution of license and brand products	DKK625,000	–	100%	–	100%	–	100%	–	100%
BBM Berg Brand Management GmbH *(Note viii)*	20 June 2001	Germany	Distribution of license and brand products	EUR25,000	–	100%	–	100%	–	100%	–	100%

Notes:

(i) No audited financial statements were issued as there was no statutory requirement.

(ii) The statutory financial statements for the years ended 31 December 2016 and 2017 were audited by PricewaterhouseCoopers Hong Kong. The statutory financial statements for the year ended 31 December 2018 have not yet been issued.

(iii) The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 were audited by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab.

(iv) The statutory financial statements for the year ended 31 December 2016 were audited by 深圳德永會計師事務所(普通合夥). The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by 深圳星源會計師事務所(特殊普通合夥).

(v) The statutory financial statements for the year ended 31 December 2016 were audited by 江西贛州君怡會計師事務所有限公司. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by 贛州恆誠聯合會計師事務所(普通合夥).

(vi) No audited financial statements were issued from its date of incorporation.

(vii) The statutory financial statements for the years ended 31 December 2016 and 2017 were audited by Sky Base Partners CPA Limited. The statutory financial statements for the year ended 31 December 2018 have not yet been issued.

(viii) The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 were audited by DSK skat und Steuerberatungsgesellschaft mbH.

1.3 Basis of presentation

Before 15 April 2015, the respective effective shareholding interest of Mr. Wong Wah Tung ("**Mr. Wong**"), Mr. Fung Bing Ngon Johnny ("**Mr. Fung**"), Mr. Cheng Wai Man ("**Mr. Cheng**") and Mr. Berg in GHL HK was 40.5%, 17.25%, 17.25% and 25%, respectively, and no single shareholder was able to control GHL HK alone pursuant to the agreements entered into among the shareholders. On 15 April 2015, Mr Wong withdrew his investment and ceased to be a shareholder of GHL HK ("**Mr Wong's Exit**") and Mr. Berg became the controlling shareholder of GHL HK. The subsidiaries now comprising the Group and the Listing Business were transferred and held by GPG on 16 April 2015. GPG has not been involved in any other business prior to Mr Wong's Exit and does not meet the definition of a business and hence it is not a business combination. There was no change in the subsidiaries now comprising the Group under GHL HK. It is considered that Mr Wong's Exit is merely a replacement of one of the shareholders by other existing shareholders.

Immediately prior to and after the Reorganisation as set out in Note 1.2, the Listing Business is ultimately controlled by the Controlling Shareholders. The Listing Business is mainly conducted through the subsidiaries now comprising the Group under GHL HK. There has been no change in ownership control for these entities under GHL HK from its perspective throughout the Track Record Period. Pursuant to the Reorganisation, the subsidiaries now comprising the Group and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the subsidiaries of the Group and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the subsidiaries of the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated upon consolidation.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities and an investment property – measured at fair value; and
- assets held for sale – lower of carrying amounts and fair value less costs of disposal.

(iii) Application of HKFRS 9 and HKFRS 15

HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has applied HKFRS 9 and HKFRS 15 consistently throughout the Track Record Period.

(iv) New and amended standards, improvements, interpretation and revised framework

Certain new and amended standards, improvements, interpretation and revised framework have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Group:

HKAS 19 (Amendments)	Plan amendment, curtailment or settlement[1]
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures[1]
HKFRS 9 (Amendments)	Prepayment features with negative compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int23	Uncertainty over income tax treatments[1]
Amendments to HKFRS	Annual improvements to HKFRS 2015-2017 cycle[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 8 (Amendments)	Accounting policies, change in accounting estimates and errors[2]
HKFRS 3 (Amendments)	Business combinations[2]
HKFRS 17	Insurance contracts[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture[4]

Note:

(1) Effective for the Company and its subsidiaries for annual period beginning on 1 January 2019.

(2) Effective for the Company and its subsidiaries for annual period beginning on 1 January 2020.

(3) Effective for the Company and its subsidiaries for annual period beginning on 1 January 2021.

(4) Effective date to be determined.

HKFRS 16 leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group reviewed all of its leasing arrangements during the year ended 31 December 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the operating leases of the Group.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately HK$5,480,000 (Note 31(a)). Of these commitments, there are no short-term leases and low value leases which would be recognised on a straight-line basis as expenses in profit or loss.

For the lease commitments the Group expects to recognise right-of-use assets of approximately HK$5,054,000 on 1 January 2019, and lease liabilities of approximately HK$5,054,000 (after adjusting for prepayments and accrued lease payments recognised as at 31 December 2018). Upon adoption of HKFRS 16, net current assets will be approximately HK$3,574,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit for the year will increase by approximately HK$71,000 for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately HK$3,601,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group expects that the adoption of HKFRS 16 will not result in any material impact on its results of operations or financial position.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.3 Business combinations

Except for the Reorganisation, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Management of the Group assesses the financial performance and position of the Group, and makes strategic decisions. Management of the Group, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the chief operating officer of the Group.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged in profit or loss during the Track Record Period in which they are incurred.

Leasehold land and prepaid land lease payments are classified as either finance or operating leases depending upon whether the lease transfers substantially all the risks and rewards incidental to its ownership to the Group.

When the leases are classified as operating leases, the premiums paid to acquire leasehold land and prepaid land lease payments are recorded as prepayment for operating lease, and are amortised on a straight-line basis over the period of the leases and prepaid land lease payments. Where there is impairment, the impairment is expensed immediately in profit or loss.

When the leases are classified as finance leases, the land interest is accounted for as below:

- If the related property interest is held for own use, that land interest is accounted for as property, plant and equipment.

- If the related property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as an investment property.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Land and buildings	Shorter of lease term or expected useful life
Leasehold improvements	5 years or over the lease term, whichever is shorter
Fixtures, furniture and office equipment	4 to 5 years
Motor vehicles	4 years
Machinery and equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "Other gains, net" in the consolidated statement of comprehensive income.

2.8 Investment property

Investment property, principally the car parking space, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss within "Other gains, net".

2.9 Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land under operating lease on which various plants and buildings are situated. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the period of leases.

2.10 Non-current assets held-for-sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets and investment property that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

2.11 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.12. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments as described in Note 5.

(ii) Brand licences and distribution rights

Brand licences and distribution rights are licensing contracts entered into with the brand-holders by the Group in the capacity as licensee. Brand licences are capitalised based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the licensing contracts. Brand licences are amortised based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 5 years.

(iii) ERP software system

ERP software system acquired are recognised at historical cost. Costs associated with maintaining software programmes are recognised as an expense as incurred.

ERP software system is amortised based on expected useful life of 5 years from the date of deployment.

(iv) Golf club membership

Golf club membership has indefinite useful life and is not subject to amortisation, as this is a membership held by a subsidiary of the Company. The membership is tested annually for impairment and carried at cost less accumulated impairment losses.

2.12 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains, net".

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within "Other gains, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the consolidated statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group has the following types of financial assets subject to HKFRS 9's new expected credit loss model:

- trade and bills receivables for sales of goods; and

- other receivables

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. In the consolidated statement of financial position, bank overdraft are shown in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Licence fees payable

Licence fees payable in respect of the inception of the licence rights is initially recognised at fair value of the consideration given for the recognition of the licence rights at the time of the inception, which represents present values of contractual minimum payments that can be reliably estimated at the time of the inception. It is subsequently stated at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the country where its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 27). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 31 (a)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 31 (b)). The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.25 Employee benefits

(a) Defined contribution plans

The Group operates a number of defined contribution plans in Hong Kong, the PRC and Denmark. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Revenue and income recognition

(i) Sales of goods

The Group manufactures and sells a range of bags and luggage. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesalers/customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesalers/customers, and either the wholesalers/customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Cash or bank acceptance notes collected from certain wholesalers/customers before product delivery is recognised as contract liabilities.

(ii) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

3 Financial risk management objectives and policies

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("**US$**") and Chinese Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's financial assets including trade and other receivables, amounts due from directors, amounts due from related companies, the ultimate holding company and the immediate holding company, and cash at bank and on hand, are substantially denominated in HK$, US$, RMB and Danish Kronors ("**DKK**"). The Group's financial liabilities including trade and other payables, amounts due to the immediate holding company and a related company, and bank and other borrowings were substantially denominated in HK$, US$ and RMB.

Since HK$ are pegged to the US$, management considers the foreign exchange risk of US$ financial assets and liabilities to the Group is not significant.

As at 31 December 2016, 2017 and 2018, if RMB had strengthened/weakened by 3% against HK$ with all other variables held constant, the Group's pre-tax profit for the year would be lower/higher by HK$1,972,000, HK$3,104,000 and HK$1,483,000 respectively, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated net liabilities.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings with variable rates. Bank borrowings denominated in HK$ are subject to floating interest rates at the bank's best lending rate plus 0.5% and 0.75%.

As at 31 December 2016, 2017 and 2018, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, the impact on the Group's pre-tax profit for the year would have been approximately HK$690,000, HK$770,000 and HK$881,000 lower or higher, respectively.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period were as follows:

	Year ended 31 December					
	2016	% of total loans	2017	% of total loans	2018	% of total loans
	HK$'000		*HK$'000*		*HK$'000*	
Variable rate borrowings:						
6 months or less	42,923	62	54,090	70	73,243	82
6-12 months	6,630	10	5,863	8	7,153	8
1-5 years	18,515	27	16,439	21	8,443	9
Over 5 years	926	1	635	1	232	1
	68,994	100	77,027	100	89,071	100

An analysis by maturities is provided in Note 3.1 (c). The percentage of total loans shows the proportion of loans that were at variable rates in relation to the total amount of borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amount due from directors, related companies, the immediate holding company and the ultimate holding company, pledged deposits and cash at bank and on hand. The carrying amounts of trade and other receivables, amount due from directors, related companies, the immediate holding company and the ultimate holding company, pledged deposits and cash at bank and on hand represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected impairment losses are made.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

Details of expected credit losses on trade and other receivables is provided in Note 18.

For deposits, receivables from affiliates of an ex-shareholder and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of deposits, receivables from affiliates of an ex-shareholder and other receivables.

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

For the amounts due from the directors, the related companies, the immediate holding company and the ultimate holding company, the Group has policies in place to monitor the credit exposure of the directors, the related companies, the immediate holding company and the ultimate holding company. The Group will assess the financial capabilities of the directors, the related companies, the immediate holding company and the ultimate holding company including their repayment histories and financial conditions. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the directors, the related companies, the immediate holding company and the ultimate holding company is low.

(c) Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a healthy level of liquid assets and committed banking facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business. At 31 December 2016, 2017 and 2018, the Group had unutilised banking facilities of HK$62,752,000, HK$128,856,000 and HK$69,369,000 respectively.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity dates. The amounts disclosed in the table below are the contractual undiscounted cashflows.

	On demand *HK$'000*	**Less than 1 year** *HK$'000*	**More than 1 year but within 5 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2016				
Trade and bills payables	–	135,346	–	135,346
Accruals and other payables	–	21,931	–	21,931
Licence fees payable	–	9,386	23,994	33,380
Obligations under finance lease	–	101	185	286
Amount due to a related company	–	250	–	250
Bank and other borrowings	57,079	–	–	57,079
Bank overdraft	11,915	–	–	11,915
	68,994	167,014	24,179	260,187
At 31 December 2017				
Trade and bills payables	–	166,420	–	166,420
Accruals and other payables	–	24,919	–	24,919
Licence fees payable	–	11,006	14,861	25,867
Obligations under finance lease	–	1,839	4,210	6,049
Amount due to a related company	–	250	–	250
Bank and other borrowings	61,253	–	–	61,253
Bank overdraft	15,774	–	–	15,774
	77,027	204,434	19,071	300,532

	On demand	Less than 1 year	More than 1 year but within 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018				
Trade and bills payables	–	178,005	–	178,005
Accruals and other payables	–	20,224	–	20,224
Licence fees payable	–	12,463	21,514	33,977
Amount due to the immediate holding company	10,520	–	–	10,520
Obligations under finance lease	–	2,058	3,277	5,335
Bank and other borrowings	72,048	–	–	72,048
Bank overdraft	17,023	–	–	17,023
	99,591	212,750	24,791	337,132

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year	Between 1 year to 2 years	Between 2 years to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016					
Bank borrowings	38,646	6,172	13,418	942	59,178
Bank overdraft	11,915	–	–	–	11,915
	50,561	6,172	13,418	942	71,093
At 31 December 2017					
Bank borrowings	44,984	9,708	7,303	645	62,640
Bank overdraft	15,774	–	–	–	15,774
	60,758	9,708	7,303	645	78,414
At 31 December 2018					
Bank borrowings	64,250	5,157	3,765	233	73,405
Bank overdraft	17,023	–	–	–	17,023
	81,273	5,157	3,765	233	90,428

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management of the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Company's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank and on hand. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 December 2016, 2017 and 2018 are as follows:

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Bank overdraft *(Note 24)*	11,915	15,774	17,023
Bank borrowings *(Note 24)*	57,079	61,253	72,048
Amount due to the immediate holding company *(Note 20)*	–	–	10,520
Amount due to a related company *(Note 20)*	250	250	–
Obligation under finance leases *(Note 27)*	276	5,580	4,977
Less: Pledged deposits *(Note 22)*	(19,289)	(19,971)	(26,011)
Less: Cash at bank and on hand *(Note 22)*	(20,893)	(21,523)	(17,631)
Net debt	29,338	41,363	60,926
Total equity	118,726	74,414	80,065
Total capital	148,064	115,777	140,991
Gearing ratio	20%	36%	43%

3.3 Fair value estimation

(a) Financial asset

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

	Note	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
As 31 December 2016					
Financial assets					
Financial asset at fair value through profit or loss – Unlisted equity interest in supplier	*21*	–	–	1,226	1,226
As 31 December 2017					
Financial assets					
Financial asset at fair value through profit or loss – Unlisted investment in a key management insurance contract	*21*	–	–	6,948	6,948
As 31 December 2018					
Financial assets					
Financial asset at fair value through profit or loss – Unlisted investment in a key management insurance contract	*21*	–	–	7,002	7,002

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for years ended 31 December 2016, 2017 and 2018:

	Financial asset at fair value through profit or loss		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,226	1,226	6,948
Addition during the year	–	6,948	–
Disposal during the year	–	(1,226)	–
Exchange realignment	–	–	54
At 31 December	1,226	6,948	7,002

(iii) Valuation inputs and relationships to fair value

These unlisted key management insurance contract is a level 3 financial asset under the fair value hierarchy, and its fair value was determined with reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration was also placed on the pattern of crystalising the contracts and surrender charges, if any.

Management estimated the impact of a reasonable change in the unobservable inputs based on valuation performed by an independent qualified actuary to be insignificant.

As at 31 December 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in discount rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately HK$140,000 and HK$166,000 respectively.

As at 31 December 2017 and 2018, it is estimated that a general increase/decrease of 10% of the mortality rates, with all other variables held constant, would increase/decrease the Group's profit for the year by approximately HK$4,000 and HK$39,000 respectively.

(b) Non-financial asset

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that were recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2016					
Investment property	*14*	–	1,050	–	1,050
At 31 December 2017					
Investment property	*14*	–	1,200	–	1,200
At 31 December 2018					
Investment property	*14*	–	1,300	–	1,300

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years.

(ii) Fair value measurements

The fair values of the Group's investment property at 31 December 2016, 2017 and 2018 were based on valuations carried out by an independent qualified professional valuer that is not connected with the Group.

The fair values were determined based on the "Direct Comparison Method", where the values were assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Provision for impairment of trade and bills receivables

For trade and bills receivables, the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade and bills receivables. Management's judgement is involved in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1 (b).

(c) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories in the period in which such estimates have been changed.

(d) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

5 Segment information

Management of the Group, which consists of the chief executive officer, the chief financial officer and the chief operating officer, examines the Group's performance from product perspective and has identified two reportable segments of its business comprising, the private label products segment and the branded label products segment. The private label products segment — private label products are produced and sold under both OEM and ODM businesses to the brand owners or their licensees. The branded label products segment — branded label products include products branded under the Group's proprietary Ellehammer brand as well as the licensed brands, distributed through the Group's sales network comprising of third party distributors and self-operated distribution channel.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	630,370	660,048	677,464
Timing of revenue recognition - At a point in time	630,370	660,048	677,464

The Group used the practical expedient where the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, are not disclosed as substantially all related contracts have a duration of one year or less.

Year ended 31 December 2016

	Private label products *HK$'000*	Branded label products *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	397,732	232,638	–	630,370
Inter-segment revenue	75,207	–	(75,207)	–
Total segment revenue	472,939	232,638	(75,207)	630,370
Segment results	9,729	45,707	(10,319)	45,117
Other income				726
Other gains, net				937
Corporate expenses				(13,017)
Profit from operations				33,763
Finance income				604
Finance costs				(4,864)
Profit before income tax				29,503

Year ended 31 December 2017

	Private label products *HK$'000*	Branded label products *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	429,754	230,294	–	660,048
Inter-segment revenue	91,730	–	(91,730)	–
Total segment revenue	521,484	230,294	(91,730)	660,048
Segment results	4,502	63,773	(18,747)	49,528
Other income				955
Other gains, net				2,489
Corporate expenses				(12,618)
Profit from operations				40,354
Finance income				854
Finance costs				(5,581)
Profit before income tax				35,627

Year ended 31 December 2018

	Private label products *HK$'000*	Branded label products *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	514,392	163,072	–	677,464
Inter-segment revenue	71,430	–	(71,430)	–
Total segment revenue	585,822	163,072	(71,430)	677,464
Segment results	24,985	44,309	(13,307)	55,987
Other income				756
Other gains, net				60
Corporate expenses				(15,211)
Profit from operations				41,592
Finance income				1,343
Finance costs				(6,793)
Profit before income tax				36,142

As at 31 December 2016

	Private label products *HK$'000*	Branded label products *HK$'000*	Corporate assets/ (liabilities) *HK$'000*	Total *HK$'000*
Non-current assets	42,334	36,066	1,200	79,600
Current assets	186,094	33,651	92,192	311,937
Non-current assets held-for-sale	–	–	6,563	6,563
Total assets	228,428	69,717	99,955	398,100
Segment liabilities	150,068	55,501	–	205,569
Other liabilities	–	–	73,805	73,805
Net assets	78,360	14,216	26,150	118,726

As at 31 December 2017

	Private label products	Branded label products	Corporate assets/ (liabilities)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	45,740	30,101	8,262	84,103
Current assets	205,019	45,305	59,484	309,808
Total assets	250,759	75,406	67,746	393,911
Segment liabilities	204,347	36,149	–	240,496
Other liabilities	–	–	79,001	79,001
Net assets/(liabilities)	46,412	39,257	(11,255)	74,414

As at 31 December 2018

	Private label products	Branded label products	Corporate assets/ (liabilities)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	43,656	37,689	8,359	89,704
Current assets	212,270	49,151	76,852	338,273
Total assets	255,926	86,840	85,211	427,977
Segment liabilities	196,630	50,466	–	247,096
Other liabilities	–	–	100,816	100,816
Net assets/(liabilities)	59,296	36,374	(15,605)	80,065

The analysis of revenue by geographical destination is as follows:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Europe	248,699	250,338	230,979
The PRC	42,423	48,832	47,196
Middle East	36,543	28,855	20,710
North America	265,535	285,820	327,902
Others	37,170	46,203	50,677
	630,370	660,048	677,464

The analysis of the Group's major customers, which individually contributed 10% or more to the Group's revenue, is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	179,787	189,195	222,133
Customer B *(Note (i))*	133,243	104,424	N/A
Customer C *(Note (ii))*	N/A	N/A	71,136

Notes:

(i) Customer B did not contribute 10% or more to the Group's revenue for the year ended 31 December 2018.

(ii) Customer C did not contribute 10% or more to the Group's revenue for the years ended 31 December 2016 and 2017.

Non-current assets, other than financial asset at fair value through profit or loss, intangible assets and deferred income tax assets, by geographical area are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
The PRC	26,551	25,417	24,343
Hong Kong	5,573	9,586	8,658
Europe	444	401	293
	32,568	35,404	33,294

6 Other income

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Finance income from late payment from customers	60	–	–
Income from sales of scrap materials	101	5	–
Rental income	726	955	756
Others	219	116	83
	1,106	1,076	839

7 Other gains, net

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Loss on disposal of financial assets at fair value through profit or loss	–	(98)	–
Gain on disposal of non-current asset held-for-sale	–	2,437	–
Gain/(loss) on disposal of property, plant and equipment	1,100	303	(40)
Fair value gain on an investment property *(Note 14)*	937	150	100
	2,037	2,792	60

8 Expenses by nature

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold *(Note 17)*	411,942	423,237	430,244
Employee benefit expenses *(Note 9)*	117,707	123,310	118,222
Transportation and freight charges	19,097	21,746	22,012
Directors' emoluments *(Note 33)*	10,283	7,583	6,031
Depreciation of property, plant and equipment *(Note 13)*	5,139	4,641	5,320
Amortisation of licence rights *(Note 15)*	8,933	8,978	9,571
Amortisation of prepaid land lease payments *(Note 16)*	39	39	39
Operating lease rental expense – third parties	6,442	7,013	7,475
Royalty fees	2,169	4,476	1,712
Auditor's remuneration			
– audit service	1,198	1,229	1,237
– non-audit service	110	–	–
Bad debts written off	335	21	381
Provision for impairment of trade receivables *(Note 18)*	265	149	–
Recovery of impairment of trade receivables previously provided for *(Note 18)*	(17)	(203)	–
Legal and professional fees	1,937	1,973	1,433
Listing expenses	–	1,921	12,995
Sample costs	2,174	1,644	1,618
Marketing expenses	1,652	2,063	1,905
Exchange differences	(4,261)	(2,240)	1,288
Others	14,606	15,982	15,288
	599,750	623,562	636,771
Representing:			
Cost of sales	507,291	519,146	522,564
Selling and distribution expenses	39,190	44,922	42,708
Administrative expenses	53,269	59,494	71,499
	599,750	623,562	636,771

9 Employee benefit expenses (excluding directors' emoluments)

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and other allowances	106,132	110,818	105,965
Pension costs	11,575	12,492	12,257
	117,707	123,310	118,222

Five highest paid individuals

For the years ended 31 December 2016, 2017 and 2018, the five highest paid individuals whose emoluments were the highest in the Group include 4, 3 and 2 directors respectively, whose emoluments are reflected in Note 33. The emoluments paid/payable to the remaining 1, 2 and 3 individuals, respectively, during the years ended 31 December 2016, 2017 and 2018 are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and other allowances	1,891	3,702	3,776
Pension costs	18	36	158
	1,909	3,738	3,934

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Emolument bands			
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	–	1	3
HK$1,500,001 to HK$2,000,000	1	–	–
HK$2,000,001 to HK$2,500,000	–	1	–

10 Finance costs, net

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Finance income			
– Interest income from bank deposits	134	168	523
– Interest income from related companies	470	686	820
	604	854	1,343
Finance costs			
– Interest expenses on bank borrowings and bank overdraft	(4,623)	(4,807)	(6,144)
– Interest expenses on finance lease	(19)	(141)	(236)
– Notional interest on licence fee payable	(222)	(633)	(413)
	(4,864)	(5,581)	(6,793)
Finance costs, net	(4,260)	(4,727)	(5,450)

11 Income tax expense

Hong Kong profits tax has been provided for at the two tiered rate of 8.25% for the first HK$2 million of the estimated assessable profit for one of the Group's Hong Kong subsidiaries and 16.5% on the remaining estimated assessable profit for the year ended 31 December 2018. The Hong Kong subsidiaries are subject to tax rate of 16.5% for the years ended 31 December 2016 and 2017. The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("**CIT**") at a rate of 25% for the years ended 31 December 2016, 2017 and 2018. The Group's subsidiaries in Denmark are subject to income tax at the rate of 23%, 22% and 22% for the years ended 31 December 2016, 2017 and 2018 respectively.

The amount of taxation charged to profit or loss represents:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current income tax			
– Hong Kong profits tax	4,098	3,591	4,830
– China corporate income tax	254	4,053	3,391
– Denmark income tax	309	460	20
– Over-provision from prior year	(40)	–	–
Deferred income tax charge/(credit) *(Note 26)*	264	(806)	782
	4,885	7,298	9,023

The income tax expense for the year can be reconciled to the profit before income tax as shown in the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	29,503	35,627	36,142
Tax calculated at domestic tax rates applicable to profits in respective countries	4,666	7,508	7,302
Income not subject to tax	(620)	(924)	(434)
Expenses not deductible for tax purpose	843	714	2,155
Over-provision from prior year	(40)	–	–
Tax loss not recognised	36	–	–
Income tax expense	4,885	7,298	9,023

12 Earnings per share

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016, 2017 and 2018.

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2016 as if the Company has been established by then.

Basic earnings per share are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2016, 2017 and 2018:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	24,618	28,329	27,119
Weighted average number of shares in issue	10,000	10,000	10,000
Basic earnings per share (expressed in HK$ thousand per share)	2.46	2.83	2.71

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2016, 2017 and 2018.

Note: The earnings per share presented above has not taken into account of the Capitalisation Issue as defined in Note 28 whereby the ordinary shares in issue will increase from 10,000 shares to 830,000,000 shares. The Capitalisation Issue has not become effective as of the date of this report and will only take place upon the Listing. See Note 28 for more information on the Capitalisation Issue.

13 Property, plant and equipment and non-current asset held-for-sale

(a) Property, plant and equipment

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Machinery, furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2016					
Cost	33,841	5,528	36,156	8,750	84,275
Accumulated depreciation	(9,561)	(4,561)	(33,012)	(7,023)	(54,157)
Net book value	24,280	967	3,144	1,727	30,118
Year ended 31 December 2016					
Opening net book value	24,280	967	3,144	1,727	30,118
Additions	151	3,646	1,457	312	5,566
Transfer to investment property *(Note 14)*	(113)	–	–	–	(113)
Depreciation *(Note 8)*	(933)	(1,433)	(1,883)	(890)	(5,139)
Disposals	–	–	(27)	(266)	(293)
Exchange realignment	(5)	–	(1)	(6)	(12)
Closing net book value	23,380	3,180	2,690	877	30,127
At 31 December 2016 and 1 January 2017					
Cost	33,726	8,491	37,231	6,416	85,864
Accumulated depreciation	(10,346)	(5,311)	(34,541)	(5,539)	(55,737)
Net book value	23,380	3,180	2,690	877	30,127

	Land and buildings *HK'000*	Leasehold improvements *HK'000*	Machinery, furniture, fixtures and office equipment *HK'000*	Motor vehicles *HK'000*	Total *HK'000*
Year ended 31 December 2017					
Opening net book value	23,380	3,180	2,690	877	30,127
Additions	33	374	2,718	4,211	7,336
Depreciation *(Note 8)*	(905)	(1,386)	(1,430)	(920)	(4,641)
Exchange realignment	(3)	5	(5)	33	30
Closing net book value	22,505	2,173	3,973	4,201	32,852
At 31 December 2017 and 1 January 2018					
Cost	33,860	8,864	39,595	10,156	92,475
Accumulated depreciation	(11,355)	(6,691)	(35,622)	(5,955)	(59,623)
Net book value	22,505	2,173	3,973	4,201	32,852
Year ended 31 December 2018					
Opening net book value	22,505	2,173	3,973	4,201	32,852
Additions	–	800	2,046	778	3,624
Depreciation *(Note 8)*	(1,022)	(908)	(1,981)	(1,409)	(5,320)
Disposal	(40)	–	–	–	(40)
Exchange realignment	52	(42)	(437)	(8)	(435)
Closing net book value	21,495	2,023	3,601	3,562	30,681

Depreciation for the years ended 31 December 2016, 2017 and 2018 of HK$3,598,000, HK$2,931,000 and HK$2,944,000 were included in "cost of sales" in the consolidated statement of comprehensive income. Depreciation for the years ended 31 December 2016, 2017 and 2018 of HK$1,541,000, HK$1,710,000 and HK$2,376,000 were included in "administrative expenses" in the consolidated statement of comprehensive income.

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings under medium term leases			
– Within Hong Kong	1,479	1,431	1,363
– Outside Hong Kong	21,757	20,960	20,082
Buildings under short term leases			
– Outside Hong Kong	144	114	50
	23,380	22,505	21,495

As at 31 December 2016, 2017 and 2018, land and buildings with net book value of approximately HK$1,479,000, HK$22,391,000 and HK$21,444,000, respectively, were pledged to certain banks to secure bank borrowings as set out in Note 24 to the consolidated financial statements.

As at 31 December 2016, 2017 and 2018, the net book values of property, plant and equipment of the Group included an amount of approximately HK$287,000, HK$7,023,000 and HK$6,420,000, respectively, in respect of assets held under finance leases.

(b) Non-current assets held-for-sale

The Group reclassified a motor vehicle with a carrying value of approximately HK$636,000 and a residential property in Hong Kong with a carrying value of approximately HK$6,563,000 as non-current assets held for sale during the year ended 31 December 2014 as the Group planned to dispose of these assets. In 2015, the Group disposed of the motor vehicle together with a cross-boundary vehicle licence for a consideration of HK$1,134,000 to Manree Group Limited, a previous shareholder of Grown-Up Group Holdings Limited ("**ex-shareholder**"). The consideration for the disposal was borne by the immediate holding company. On 25 January 2017, the Group disposed of the residential property for a consideration of HK$9,000,000 for settlement of a promissory note issued by the immediate holding company to the ex-shareholder. Gain on disposal of non-current assets held-for-sale of nil, approximately HK$2,437,000 and nil were recorded for the years ended 31 December 2016, and 2017 and 2018 respectively.

Movements of non-current assets held-for-sale are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January	6,563	6,563	–
Disposal of a leasehold property *(Note 30)*	–	(6,563)	–
As at 31 December	6,563	–	–

14 Investment property

	Car park *HK$'000*
Year ended 31 December 2016	
Opening fair value	–
Transfer from property, plant and equipment *(Note 13)*	113
Fair value gain on investment property *(Note 7)*	937
Closing fair value	1,050
Year ended 31 December 2017	
Opening fair value	1,050
Fair value gain on investment property *(Note 7)*	150
Closing fair value	1,200
Year ended 31 December 2018	
Opening fair value	1,200
Fair value gain on investment property *(Note 7)*	100
Closing fair value	1,300

The Group measures its investment property at fair value. The fair values of the Group's investment property as at 31 December 2016, 2017 and 2018 have been determined on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent firm of chartered surveyors. The valuation, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value of an investment property is generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted.

At the end of each reporting period, management discussed with independent surveyors regarding the valuation processes and the reasonableness of valuation results carried out for the property. Management considered that the current use of this property equates to its highest and best use.

The valuations of the investment property as at 31 December 2016, 2017 and 2018 are based on market comparable and are recognised under level 2 of the fair value hierarchy.

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2016, 2017 and 2018.

15 Intangible assets

	Goodwill *(Note i)*	Licence rights	Golf club membership *(Note ii)*	ERP software system *(Note iii)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016					
Cost	15,162	32,040	950	–	48,152
Accumulated amortisation	–	(27,724)	–	–	(27,724)
Net book value	15,162	4,316	950	–	20,428
Year ended 31 December 2016					
Opening net book value	15,162	4,316	950	–	20,428
Addition	–	34,358	–	–	34,358
Amortisation *(Note 8)*	–	(8,933)	–	–	(8,933)
Exchange realignment	(213)	(434)	–	–	(647)
Closing net book value	14,949	29,307	950	–	45,206
At 31 December 2016					
Cost	14,949	54,076	950	–	69,975
Accumulated amortisation	–	(24,769)	–	–	(24,769)
Net book value	14,949	29,307	950	–	45,206
Year ended 31 December 2017					
Opening net book value	14,949	29,307	950	–	45,206
Addition	–	1,065	–	1,859	2,924
Amortisation *(Note 8)*	–	(8,978)	–	–	(8,978)
Exchange realignment	(44)	1,004	–	–	960
Closing net book value	14,905	22,398	950	1,859	40,112
At 31 December 2017					
Cost	14,905	54,531	950	1,859	72,245
Accumulated amortisation	–	(32,133)	–	–	(32,133)
Net book value	14,905	22,398	950	1,859	40,112

	Goodwill *(Note i)*	Licence rights	Golf club membership *(Note ii)*	ERP software system *(Note iii)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018					
Opening net book value	14,905	22,398	950	1,859	40,112
Addition	–	19,569	–	–	19,569
Amortisation *(Note 8)*	–	(9,571)	–	–	(9,571)
Exchange realignment	(298)	(1,515)	–	–	(1,813)
Closing net book value	14,607	30,881	950	1,859	48,297
At 31 December 2018					
Cost	14,607	71,701	950	1,859	89,117
Accumulated amortisation	–	(40,820)	–	–	(40,820)
Net book value	14,607	30,881	950	1,859	48,297

Note:

(i) The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of cash generating units ("**CGUs**") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs.

The value-in-use calculations are derived from cash flow projections based on the most recent five-year financial budgets approved by management. Cash flows beyond that five-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

The key assumptions used in value-in-use calculations include:

(i) Gross margin ranging from 22.5% to 22.6%;

(ii) Growth rate ranging from 5.6% to 5.7% per annum; and

(iii) Pre-tax discount rate of 14.0% per annum.

As at 31 December 2016, 2017 and 2018, the recoverable amounts of the CGUs containing goodwill and the corresponding headroom were as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Recoverable amounts	358,681	269,079	295,356
Headroom	343,732	254,174	280,749

The directors of the Company performed sensitivity analysis based on the assumption that gross margin or growth rate or pre-tax discount rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would decrease to the amounts as follows:

	31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Gross margin decreased by 1% point	302,246	178,094	209,615
Growth rate per annum decreased by 1% point	235,454	246,922	250,642
Pre-tax discount rate per annum increased by 1% point	309,209	228,822	252,211

The directors of the Company has not identified any key assumptions where a reasonably possible change in such assumptions could cause the carrying amount of goodwill to exceed the recoverable amount. No impairment of goodwill was recognised.

(ii) Impairment for golf club membership

The directors of the Company applied a market approach in the impairment assessment of the golf club membership at each reporting period end date during the Track Record Period. As at 31 December 2016, 2017 and 2018, the estimated recoverable amount of the golf club membership exceeded its carrying amount and no impairment is recorded.

(iii) Impairment for ERP software system

The ERP software system was acquired during the year ended 31 December 2017 and has yet to be deployed as of 31 December 2018. The directors of the Company applied the value-in-use approach to assess impairment of the intangible asset at each of the reporting date during the Track Record Period. The recoverable amount was estimated with reference to the value-in-use of the relevant CGU where the ERP software will be used and the estimated recoverable amount exceeded its carrying amount and no impairment is recorded.

The ERP software system is expected to be launched in 2019, and to be carried at cost less accumulated amortisation and impairment.

16 Prepaid land lease payments

Prepaid land lease represents the Group's interests in a land premise situated in the PRC held on medium term leases, and its net book amount is analysed as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January			
Cost	1,904	1,904	1,904
Accumulated amortisation	(435)	(474)	(513)
Net book amount	1,469	1,430	1,391
Year ended 31 December			
Opening net book amount	1,469	1,430	1,391
Amortisation *(Note 8)*	(39)	(39)	(39)
Closing net book amount	1,430	1,391	1,352
At 31 December			
Cost	1,904	1,904	1,904
Accumulated amortisation	(474)	(513)	(552)
Closing net book amount	1,430	1,391	1,352

Prepaid land lease payments are disclosed in the consolidated statements of financial position as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Non-current portion	1,391	1,352	1,313
Current portion (included in prepayment and other receivables) *(Note 18)*	39	39	39
	1,430	1,391	1,352

17 Inventories

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,522	4,278	1,819
Work-in-progress	16,777	15,703	4,442
Finished goods	41,208	37,884	23,777
	61,507	57,865	30,038

For the years ended 31 December 2016, 2017 and 2018, the costs of inventories sold recognised as an expense and included in cost of sales amounted to HK$411,942,000, HK$423,237,000 and HK$430,244,000 respectively (Note 8).

18 Trade and other receivables

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	104,504	149,172	188,412
Bills receivables	5,242	4,045	–
Provision for impairment of trade receivables	(253)	(158)	(150)
Trade receivables, net	109,493	153,059	188,262
Prepaid land lease payments *(Note 16)*	39	39	39
Prepayments for purchases from suppliers	7,048	11,022	16,601
Prepaid listing expenses	–	3,450	1,856
Deferred listing expenses	–	435	3,381
Deposits paid	1,632	1,434	1,156
Receivables from affiliates of an ex-shareholder	13,469	–	–
Other receivables	6,344	2,287	7,689
	138,025	171,726	218,984

Majority of payment terms with customers are within 60 to 90 days. As at 31 December 2016, 2017 and 2018, the aging analysis of trade and bills receivables based on invoice date are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	66,745	98,031	119,364
31-60 days	26,822	30,293	31,845
61-90 days	12,374	15,441	32,212
Over 90 days	3,805	9,452	4,991
	109,746	153,217	188,412

At 31 December 2016, 2017 and 2018, trade receivables of HK$253,000, HK$158,000 and HK$150,000 were impaired, respectively. These impaired receivables mainly relate to customers who are under bankruptcy or in unexpectedly difficult economic situations.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables.

The expected loss rates are based on the payment profiles of sales over a period of the previous 36 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of wholesalers/customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the unemployment rate of the countries in which it sells its bags and luggage to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2016, 2017 and 2018, the loss allowance provision for trade and bills receivables was determined as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Expected loss rate	0.23%	0.10%	0.08%
Gross carrying amount	109,746	153,217	188,412
Loss allowance provision	253	158	150

Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade and bills receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item in the consolidated statement of comprehensive income.

Details of the movement of the provision for trade receivables are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January	100	253	158
Provision for impairment of trade receivables *(Note 8)*	265	149	–
Recovery of impairment previously provided for *(Note 8)*	(17)	(203)	–
Written off	(84)	(69)	–
Exchange realignment	(11)	28	(8)
As at 31 December	253	158	150

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the years ended 31 December 2016, 2017 and 2018, there was no provision for impairment on these receivables.

The maximum exposure to credit risk as of the reporting date was the carrying value of each type of receivables mentioned above. The Group did not hold any collateral as security as of each reporting date.

As at 31 December 2016, 2017 and 2018, the Group had receivables of approximately HK$13,469,000, nil and nil, respectively, from certain affiliates of Manree Group Limited, a previous shareholder of Grown-Up Group Holdings Limited. The receivables were unsecured, interest-free and repayable on demand. Pursuant to debt novation agreements dated 1 November 2017 between the relevant subsidiaries of the Group, the immediate holding company and the relevant affiliates of the ex-shareholders, the relevant affiliates of the ex-shareholders assigned and the immediate holding company agreed to assume the responsibility of the receivables due to the Group.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
US$	111,291	144,150	164,415
HK$	17,028	4,670	5,952
RMB	7,676	19,515	24,177
DKK	859	2,522	1,300
EURO	1,171	869	23,140
	138,025	171,726	218,984

19 Amounts due from directors

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cheng Wai Man	1,678	–	–
Fung Bing Ngon, Johnny	1,718	–	–
Thomas Berg	1,567	7,704	7,739
	4,963	7,704	7,739
Maximum amounts outstanding during the year	4,963	7,704	7,739

As at 31 December 2016, 2017 and 2018, the balances were unsecured, interest-free and with no fixed repayment terms. These balances were non-trade in nature.

The amounts due from directors will be fully settled upon the Listing.

20 Amounts due from/to the ultimate holding company, immediate holding company and related companies

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from the ultimate holding company			
– Berg Group Holdings Limited *(Note i)*	–	–	5,798
Amount due from the immediate holding company			
– GP Group Investment Holding Limited *(Note i)*	52,130	9,142	–
Amounts due from related companies			
– T. Berg Holding ApS *(Note i)*	–	–	360
– Elements Group Holdings Limited *(Note i)*	107	–	–
– Elements Group Investment Holdings Limited *(Note i)*	28	–	–
– Elements Group Denmark ApS *(Note ii)*	3,244	3,843	3,804
– Elements Denmark ApS *(Note ii)*	981	1,734	1,695
– Køkkensnedkeren A/S *(Note ii)*	9,136	14,195	15,979
– Elements Management Limited *(Note i)*	24	–	–
– Elements Manufactory Limited *(Note i)*	1,421	2,105	9,450
– Elements Licenses Limited *(Note i)*	56	–	2
– Eastern Dragon International Limited *(Note i)*	–	–	5
	14,997	21,877	31,295
Amount due to a related company			
– T. Berg Holding ApS *(Note i)*	(250)	(250)	–
Amount due to the immediate holding company			
– GP Group Investment Holding Limited *(Note i)*	–	–	(10,520)

Notes:

(i) The balances were unsecured, interest free, repayable on demand and denominated in HK$.

(ii) The balances were unsecured, interest bearing at 4% per annum, repayable on demand and denominated in DKK.

(iii) Balances with the ultimate holding company, the immediate holding company, the related companies and the directors will be fully settled upon the Listing.

These balances were non-trade in nature.

21 Financial asset at fair value through profit or loss

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity interest in a supplier	1,226	–	–
Unlisted investment:			
– Key management insurance contract	–	6,948	7,002
	1,226	6,948	7,002

Movements of the financial assets at fair value through profit or loss for the years ended 31 December 2016, 2017 and 2018 are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,226	1,226	6,948
Additions	–	6,948	–
Disposals	–	(1,226)	–
Exchange realignment	–	–	54
As at 31 December	1,226	6,948	7,002

During the year ended 31 December 2017, the Group disposed of its investment in unlisted equity in a supplier at a consideration of approximately HK$1,128,000 to an independent third party.

Fair value gain or loss on financial assets at fair value through profit or loss was included in other gains, net (Note 7).

As at 31 December 2017 and 2018, the Group's financial asset at fair value through profit or loss of approximately HK$6,948,000 and HK$7,002,000 respectively, was pledged as collateral for the Group's bank borrowings, details of which are set out in Note 24. For the years ended 31 December 2017 and 2018, the beneficiary of the key management insurance contract is Grown-Up Manufactory Limited, a subsidiary of the Group.

As at 31 December 2017 and 2018, the fair value of the key management insurance contract was estimated by applying the income approach. The valuation was performed by an independent qualified actuary.

The key assumptions used in income approach include:

Description	**As at 31 December 2017** *HK$'000*	**As at 31 December 2018** *HK$'000*	**Valuation technique**	**Unobservable inputs**
Unlisted key management insurance contract	6,948	7,002	Income approach	Mortality rate, discount rate

22 Cash and bank balances

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank	20,706	21,472	17,573
Cash on hand	187	51	58
Cash at bank and on hand	20,893	21,523	17,631
Pledged deposits	19,289	19,971	26,011
	40,182	41,494	43,642

Cash and bank balances are denominated in the following currencies:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
HK$	9,510	15,221	26,598
RMB	5,236	10,788	13,571
US$	23,969	14,666	1,849
DKK	1,171	494	1,444
Others	296	325	180
	40,182	41,494	43,642

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and on hand	20,893	21,523	17,631
Bank overdraft *(Note 24)*	(11,915)	(15,774)	(17,023)
Cash and cash equivalents	8,978	5,749	608

23 Trade and other payables

(a) Trade and other payables

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	108,117	136,669	105,742
Bills payables *(Note 24)*	27,229	29,751	72,263
	135,346	166,420	178,005
Accruals and other payables	22,159	26,044	21,034
	157,505	192,464	199,039

Majority of payment terms with suppliers are within 60 days. The carrying amounts of trade and other payables approximate their fair values. As at 31 December 2016, 2017 and 2018, the aging analysis of the trade and bills payable of the Group by invoice date is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	50,522	55,641	45,557
31-60 days	49,922	55,023	60,459
61-90 days	24,816	28,563	43,285
Over 90 days	10,086	27,193	28,704
	135,346	166,420	178,005

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
HK$	6,452	10,450	45,334
RMB	59,060	118,924	120,606
US$	87,434	57,101	26,509
DKK	4,332	5,850	6,590
Others	227	139	–
	157,505	192,464	199,039

(b) Contract liabilities

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities	14,541	7,995	1,995

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance under the contracts with certain customers for sales of bags and luggage.

The following table shows how much of the revenue recognised during the years ended 31 December 2016, 2017 and 2018 relates to carried-forward contract liabilities.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at beginning of the year			
– Sales of goods	21,194	14,541	7,422

24 Bank and other borrowings

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Bank overdraft	11,915	15,774	17,023
Term loans	32,642	28,738	27,198
Factoring loans	24,437	32,515	44,850
	68,994	77,027	89,071

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
HK$	32,642	26,847	27,545
DKK	11,915	14,611	14,065
US$	24,437	35,569	47,461
	68,994	77,027	89,071

For the years ended 31 December 2016, 2017 and 2018, the interest rates of the bank loans ranged from 2.95% to 4.50%, 2.24% to 5.5% and 3.5% to 5.3% per annum respectively. Term loans subject to a repayment on demand clause from the banks are classified as current liabilities in the consolidated statements of financial position. Maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments is set out in Note 3.1(c).

As at 31 December 2016, 2017 and 2018, banking facilities made available to the Group were as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Available facilities	158,975	235,634	233,693
Facilities utilised by the Group			
– Loans	57,079	61,253	72,048
– Bank overdraft	11,915	15,774	17,023
– Bills payables *(Note 23)*	27,229	29,751	72,263
– Performance bonds *(Note 34)*	–	–	2,990
	96,223	106,778	164,324

As at 31 December 2016, 2017 and 2018, the above banking facilities were secured by:

(i) Personal guarantee provided by Mr Berg, Mr Henriksen, Mr Fung, and Mr Cheng up to an aggregate amount of approximately HK$125,000,000, HK$235,000,000 and HK$235,000,000 respectively;

(ii) Land and buildings with carrying values of approximately HK$1,479,000, HK$22,391,000 and HK$21,444,000 respectively;

(iii) Prepaid land use rights with carrying value of nil, approximately HK$1,391,000 and HK$1,352,000 respectively;

(iv) Pledged deposits of approximately HK$19,289,000, HK$19,971,000 and HK$26,011,000 respectively;

(v) Inventories and trade receivables of approximately HK$9,871,000, HK$11,239,000 and HK$24,878,000 respectively; and

(vi) A key management insurance contract of nil, approximately HK$6,948,000 and HK$7,002,000 respectively.

The Group's banking facilities are subject to annual review for renewal.

The Group did not comply with certain financial undertakings in respect of certain of its banking facilities as at 31 December 2016 and 2017. During the years ended 31 December 2017 and 2018, the Group renewed its banking facilities with a credit limit of HK$95,054,000 and HK$12,000,000, respectively; and revised the terms in respect of the relevant financial undertakings subject to non-compliance.

25 Licence fees payable

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	9,386	11,006	12,463
In the second year	5,852	4,825	13,836
From the second to the fifth year	18,142	10,036	7,678
	33,380	25,867	33,977
Less: imputed interest on licence fees payable	(1,891)	(1,375)	(1,987)
Present value	31,489	24,492	31,990
Less: Current portion	(9,219)	(10,377)	(11,761)
Non-current portion	22,270	14,115	20,229

The carrying amounts of licence fees payable are denominated in US$.

Licence fees payable represents the contractual obligations of distribution rights at the time of recognition. It is recognised based on discount rates of 2.62%, 2.62% and 2.62% per annum at the date of inception of such obligations for the years ended 31 December 2016, 2017 and 2018.

26 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets:			
– Deferred income tax assets to be recovered within 12 months	(600)	(1,639)	(1,111)
– Deferred income tax assets to be recovered after more than 12 months	–	–	–
	(600)	(1,639)	(1,111)
Deferred income tax liabilities:			
– Deferred income tax liabilities to be recovered within 12 months	73	178	560
– Deferred income tax liabilities to be recovered after more than 12 months	–	128	–
	73	306	560
Deferred income tax assets, net	(527)	(1,333)	(551)

The net movements on the deferred income tax account of the Group are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	(791)	(527)	(1,333)
Charged/(credited) to profit or loss *(Note 11)*	264	(806)	782
At 31 December	(527)	(1,333)	(551)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	**Unrealised profit**	**Tax loss**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	(634)	(295)	(929)
Charged to profit or loss	34	295	329
At 31 December 2016 and 1 January 2017	(600)	–	(600)
Credited to profit or loss	(1,039)	–	(1,039)
At 31 December 2017 and 1 January 2018	(1,639)	–	(1,639)
Charged to profit or loss	528	–	528
At 31 December 2018	(1,111)	–	(1,111)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2016, 2017 and 2018, the Group had unrecognised tax losses of approximately HK$3,373,000, HK$3,707,000 and HK$3,490,000 respectively with no expiry date.

Deferred income tax liabilities	Accelerated tax depreciation *HK$'000*
At 1 January 2016	138
Credited to profit or loss	(65)
At 31 December 2016	73
At 1 January 2017	73
Charged to profit or loss	233
At 31 December 2017	306
At 1 January 2018	306
Charged to profit or loss	254
At 31 December 2018	560

As at 31 December 2016, 2017 and 2018, deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC subsidiaries amounted to nil, approximately HK$17,769,000 and HK$21,080,000 respectively. Such amounts are expected to be reinvested and are not intended to be distributed to the shareholders outside the PRC.

27 Obligations under finance leases

The Group leased certain of its motor vehicles under finance leases. The average lease term is 5 years. As at 31 December 2016, 2017 and 2018, the Group had minimum lease payments as follows:

	Present value *HK$'000*	Future finance charge *HK$'000*	Total *HK$'000*
As at 31 December 2016			
In the first year	95	6	101
From the second to the fifth year	181	4	185
	276	10	286

	Present value *HK$'000*	Future finance charge *HK$'000*	Total *HK$'000*
As at 31 December 2017			
In the first year	1,632	207	1,839
From the second to the fifth year	3,948	262	4,210
	5,580	469	6,049
As at 31 December 2018			
In the first year	1,870	188	2,058
From the second to the fifth year	3,107	170	3,277
	4,977	358	5,335

28 Share capital and reserves

(a) Share capital of the Company

	Number of ordinary shares	Share capital *HK$'000*
Authorised:		
Ordinary share of HK$0.01 each at 18 February 2018 (date of incorporation of the Company)	38,000,000	380
Increase during the period	9,962,000,000	99,620
At 31 December 2018	10,000,000,000	100,000
Issued and fully paid:		
At 18 February 2018 (date of incorporation of the Company)	1	–*
Issuance of shares arising from Reorganisation	9,999	–*
At 31 December 2018	10,000	–*

* Below HK$1,000.

At 18 February 2018 (date of incorporation of the Company) and upon issuance of shares arising from Reorganisation, share capital of HK$0.01 and HK$99.99 were issued and fully paid, respectively.

Pursuant to the shareholders' resolutions passed on 18 October 2018, the authorised share capital of the Company was increased to HK$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.

Pursuant to the shareholders' resolutions passed on 30 May 2019, subject to the share premium account of the Company being credited as a result of the public offer and placing (the "**Share Offer**"), the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$8,299,900 standing to the credit of the share premium account upon the Listing (the "**Capitalisation Issue**").

(b) Reserve movement of the Company

	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 8 February 2019 (date of incorporation)	–	–	–
Profit and total comprehensive income	–	6,909	6,909
Transaction with owners in the capacity as owners			
Contribution surplus *(Note)*	72,234	–	72,234
Dividend	–	(20,000)	(20,000)
Total transactions with owners in the capacity as owners	72,234	(20,000)	(52,234)
At 31 December 2018	72,234	(13,091)	(59,143)

Note:

The capital reserve of the Company represents the aggregated net asset values of the subsidiaries acquired by the Company pursuant to the Reorganisation as described in Note 1.2.

29 Dividends

On 27 December 2018, dividend of HK$20,000,000 was declared by the Company. Such dividend was settled through crediting to the current account with the immediate holding company.

During the years ended 31 December 2016, 2017 and 2018, the companies now comprising the Group declared dividend of nil, HK$40,000,000 and nil respectively. Such dividend was settled through crediting to the current account with the immediate holding company. The rates for dividend and the number of shares eligible for dividend are not presented as such information is not considered meaningful for the purpose of this report.

30 Cash flow information

(a) Cash generated from operations

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	29,503	35,627	36,142
Adjustments for:			
Finance income *(Note 10)*	(604)	(854)	(1,343)
Finance costs *(Note 10)*	4,864	5,581	6,793
Depreciation of property, plant and equipment *(Note 13)*	5,139	4,641	5,320
Amortisation of prepaid land lease payments *(Note 16)*	39	39	39
Fair value gain on investment property *(Note 7)*	(937)	(150)	(100)
Amortisation of licence rights *(Note 15)*	8,933	8,978	9,571
Provision for impairment of trade receivables *(Note 18)*	265	149	–
Recovery of impairment previously provided for *(Note 18)*	(17)	(203)	–
Gain on disposal of non-current asset held-for-sale *(Note 7)*	–	(2,437)	–
Loss on disposal of financial assets at fair value through profit or loss *(Note 7)*	–	98	–
(Gain)/loss on disposal of property, plant and equipment *(Note 7)*	(1,100)	(303)	40
	46,085	51,166	56,462
Changes in working capital:			
Inventories	11,806	5,433	26,579
Trade and other receivables	3,824	(31,583)	(45,373)
Trade and other payables	1,198	28,118	1,437
Licence fees payable	(9,505)	(7,630)	(12,484)
Cash generated from operations	53,408	45,504	26,621

In the consolidated statements of cash flows, the disposal of non-current assets held-for-sale were settled through current account with the immediate holding company:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Net book amount *(Note 13)*	–	6,563	–
Gain on disposal of non-current asset held-for-sale *(Note 7)*	–	2,437	–
Settlement through current account with the immediate holding company	–	9,000	–

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Net book amount *(Note 13)*	293	–	40
Gain/(loss) on disposal of property, plant and equipment *(Note 7)*	1,100	303	(40)
Proceeds from disposal of property, plant and equipment	1,393	303	–

In the consolidated statements of cash flows, proceeds from disposal of financial assets at fair value through profit or loss comprise:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Fair value of financial assets at fair value through profit or loss *(Note 21)*	–	1,226	–
Loss on disposal of financial assets at fair value through profit or loss *(Note 7)*	–	(98)	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	1,128	–

(b) Net debt reconciliation

	Liabilities from financing activities					
	Obligation under finance leases	Interest payable (bank borrowings & bank overdraft)	Bank borrowings	Amount due to a related company	Amount due to the immediate holding company	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 1 January 2016	956	–	68,204	325	–	69,485
Interest expenses	19	4,623	–	–	–	4,642
Cash flows	(699)	(4,623)	(11,125)	(75)	–	(16,522)
Net debt as at 31 December 2016	276	–	57,079	250	–	57,605
Net debt as at 1 January 2017	276	–	57,079	250	–	57,605
Interest expenses	141	4,807	–	–	–	4,948
Cash flows	(1,413)	(4,807)	4,174	–	–	(2,046)
Inception of finance leases	6,576	–	–	–	–	6,576
Net debt as at 31 December 2017	5,580	–	61,253	250	–	67,083
Net debt as at 1 January 2018	5,580	–	61,253	250	–	67,083
Interest expenses	236	6,144	–	–	–	6,380
Cash flows	(839)	(6,144)	10,795	(250)	–	3,562
Non-cash movement	–	–	–	–	10,520	10,520
Net debt as at 31 December 2018	4,977	–	72,048	–	10,520	87,545

31 Commitments

(a) Commitments under operating leases as lessee

The Group had future aggregate minimum lease payments under various non-cancellable operating leases as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	2,524	4,754	3,871
Later than one year but not later than five years	–	2,021	1,609
	2,524	6,775	5,480

(b) Commitments under operating leases as lessor

The Group had future aggregate minimum lease receivable under a non-cancellable operating lease arrangement as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	36	59	65

32 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The directors regard GPG, a company incorporated in Hong Kong, as the immediate holding company. The directors regard Berg Group Holding Limited, a company incorporated in Hong Kong, as the ultimate holding company.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of the related party	**Relationship with the Group**
Easy Achiever Holdings Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elect Lead Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Group Holdings Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Group Investment Holdings Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Group Denmark ApS	Controlled by Mr. Berg, one of the controlling shareholders of the Group

Name of the related party	Relationship with the Group
Elements Denmark ApS	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Køkkensnedkeren A/S	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Management Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Manufactory Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Elements Licenses Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group
T. Berg Holdings ApS	Controlled by Mr. Berg, one of the controlling shareholders of the Group
Eastern Dragon International Limited	Controlled by Mr. Berg, one of the controlling shareholders of the Group

(b) Transactions

Saved for transactions disclosed elsewhere in this consolidated financial statements, the Group had the following related party transactions during the year:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Received from related parties:			
Service fee income from			
– Elements Manufactory Limited	264	324	324
Interest income from			
– Elements Group Denmark ApS	130	140	152
– Elements Denmark ApS	37	62	68
– Køkkensnedkeren A/S	303	484	600
	734	1,010	1,144

(c) Key management compensation

Management is of the view that key management is merely composed of the Board of Directors and their compensation is disclosed in Note 33.

(d) Balance

Amounts due from/to the ultimate holding company, immediate holding company, related companies and directors:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from the ultimate holding company			
– Berg Group Holdings Limited *(Note i)*	–	–	5,798
Amount due from the immediate holding company			
– GP Group Investment Holding Limited *(Note i)*	52,130	9,142	–
Amounts due from related companies			
– Elements Group Holdings Limited *(Note i)*	107	–	–
– Elements Group Investment Holdings Limited *(Note i)*	28	–	–
– Elements Group Denmark ApS *(Note ii)*	3,244	3,843	3,804
– Elements Denmark ApS *(Note ii)*	981	1,734	1,695
– Køkkensnedkeren A/S *(Note ii)*	9,136	14,195	15,979
– Elements Management Limited *(Note i)*	24	–	–
– Elements Manufactory Limited *(Note i)*	1,421	2,105	9,450
– Elements Licenses Limited *(Note i)*	56	–	2
– T. Berg Holdings Aps	–	–	360
– Eastern Dragon International Limited	–	–	5
	14,997	21,877	31,295
Amounts due from directors			
Cheng Wai Man *(Note i)*	1,678	–	–
Fung Bing Ngon, Johnny *(Note i)*	1,718	–	–
Thomas Berg *(Note i)*	1,567	7,704	7,739
	4,963	7,704	7,739

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a related company			
– T. Berg Holding ApS *(Note i)*	(250)	(250)	–
Amounts due to immediate holding company			
– GP Group Investment Holding Limited	–	–	(10,520)

Notes:

(i) The balances were unsecured, interest free, repayable on demand and denominated in HK$.

(ii) The balances were unsecured, interest bearing at 4% per annum, repayable on demand and denominated in DKK.

(iii) Balances with the ultimate holding company, the immediate holding company, related companies and directors will be fully settled upon the Listing.

These balances are non-trade in nature.

33 Benefits and interest of directors

(a) Directors' emoluments

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated monetary value of other benefits	Employer's contribution to a retirement benefit scheme	Remuneration paid or receivable in respect of accepting office as director	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2016								
Thomas Berg	–	3,510	–	1,227	–	18	–	4,755
Cheng Wai Man	–	2,774	–	–	–	18	–	2,792
Fung Bing Ngon, Johnny	–	1,586	–	–	–	18	–	1,604
Morten Rosholm Henriksen	–	1,068	–	–	–	64	–	1,132
	–	8,938	–	1,227	–	118	–	10,283

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated monetary value of other benefits	Employer's contribution to a retirement benefit scheme	Remuneration paid or receivable in respect of accepting office as director	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2017								
Thomas Berg	604	2,610	–	1,220	–	18	–	4,452
Cheng Wai Man	–	1,186	–	–	–	18	–	1,204
Fung Bing Ngon, Johnny	–	726	–	–	–	18	–	744
Morten Rosholm Henriksen	–	1,115	–	–	–	68	–	1,183
	604	5,637	–	1,220	–	122	–	7,583
For the year ended 31 December 2018								
Thomas Berg	–	2,160	–	1,167	–	18	–	3,345
Cheng Wai Man	–	902	–	–	–	18	–	920
Fung Bing Ngon, Johnny	–	480	–	–	–	18	–	498
Morten Rosholm Henriksen	–	1,192	–	–	–	76	–	1,268
	–	4,734	–	1,167	–	130	–	6,031

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2016, 2017 and 2018.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2016, 2017 and 2018.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2016, 2017 and 2018, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and controlled entities with such directors

Save as disclosed in Note 19 to the consolidated financial statements, there was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors as at 31 December 2016, 2017 and 2018.

34 Contingent liabilities

As at 31 December 2016, 2017 and 2018, performance bonds amounting to nil, nil and approximately HK$2,990,000 have been issued by a bank on behalf of the Group in favour of the Group's suppliers.

35 Subsequent events

Save as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Company or the companies comprising the Group after 31 December 2018.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 as if the Share Offer had taken place on 31 December 2018 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2018 or at any future dates following the Share Offer. It is prepared based on the consolidated net tangible assets of the Group as at 31 December 2018 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 *(Note 1)* *HK$'000*	**Estimated net proceeds from the Share Offer** *(Note 2)* *HK$'000*	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2018** *HK$'000*	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)* *HK$*
Based on an Offer Price of HK$0.50 per Share	31,768	64,793	96,561	0.10

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018 of HK$80,065,000 with an adjustment for the intangible assets as at 31 December 2018 of HK$48,297,000.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.50 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$14,916,000 which have been accounted for in the consolidated statement of comprehensive income of the Group prior to 31 December 2018) paid/payable by the Company and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and the General Mandate to Repurchase Shares.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2018 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares and the General Mandate to Repurchase Shares.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

羅兵咸永道

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

To the Directors of Grown Up Group Investment Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grown Up Group Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2018, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 13 June 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's consolidated financial position as at 31 December 2018 as if the proposed initial public offering had taken place on 31 December 2018. As part of this process, information about the Group's consolidated financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2018, on which an accountant's report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

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

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

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

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 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, 13 June 2019

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

27th Floor, Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kowloon
Hong Kong

13 June 2019

The Directors
Grown Up Group Investment Holdings Limited
Factory D, 7th Floor,
Tai Ping Industrial Centre Block 2,
No. 55 Ting Kok Road,
Tai Po, New Territories,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Grown Up Group Investment Holdings Limited (the "**Company**") and its subsidiaries (hereinafter referred to as the "**Group**") in the People's Republic of China (the "**PRC**") and the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 April 2019 (the "**valuation date**") for the purpose of incorporating into the prospectus.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I, we have valued the property by the direct comparison approach assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interest in Group II, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost

approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. For the property interests in Hong Kong, we have caused searches to be made at the Land Registry. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion ("**the PRC legal opinion**") provided by the Company's PRC legal adviser, Commerce & Finance Law Offices.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$). The exchange rate used in valuing the property in the PRC as at 30 April 2019 was HK$1=RMB0.858. There has been no significant fluctuation in the exchange rate for Renminbi (RMB) against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note : Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interests held by the Group for owner occupation and investment in Hong Kong

	Property	Market Value in existing state as at 30 April 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 April 2019
1.	Factory D on 7th Floor, Tai Ping Industrial Centre Block 2, No. 55 Ting Kok Road, Tai Po, New Territories, Hong Kong	HK$19,900,000	100%	HK$19,900,000
2.	Car Parking Space L6 on Ground Floor, Tai Ping Industrial Centre Block 2, No. 55 Ting Kok Road, Tai Po, New Territories, Hong Kong	HK$1,400,000	100%	HK$1,400,000
	Sub-total:	**HK$21,300,000**		**HK$21,300,000**

Group II – Property interest held by the Group for owner occupation in the PRC

	Property	Market Value in existing state as at 30 April 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 April 2019
3.	An industrial complex located at No. 63 Yingbin Avenue, Xinfeng County Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, the PRC	RMB50,380,000 (equivalent to approximately HK$58,720,000)	100%	RMB50,380,000 (equivalent to approximately HK$58,720,000)
	Sub-total:	**HK$58,720,000**		**HK$58,720,000**
	Grand total:	**HK$80,020,000**		**HK$80,020,000**

VALUATION CERTIFICATES

Group I – Property interests held by the Group for owner occupation and investment in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2019
1.	Factory D on 7th Floor, Tai Ping Industrial Centre Block 2, No.55 Ting Kok Road, Tai Po, New Territories, Hong Kong 93/5, 792th equal undivided shares of and in the Lot No. 1700 in Demarcation District No. 11	The property comprises an industrial unit on the 7th floor of a 26-storey industrial building completed in 1981. The property has a gross floor area of approximately 6,231 sq.ft. (578.87 sq.m.). The property is held under a New Grant No. TP11285 for a term extended to 30 June 2047 at an annual government rent equal to 3% of the rateable value of the property.	The property is currently occupied by the Group for ancillary office and storage uses.	HK$19,900,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 April 2019** HK$19,900,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Grown-Up Manufactory Limited.

2. The property is subject to a Mortgage to secure all moneys in favour of the Hongkong and Shanghai Banking Corporation Limited for all moneys vide Memorial No. 15092502060021 dated 1 September 2015.

3. Grown-Up Manufactory Limited is an indirect wholly-owned subsidiary of the Company.

4. The property was inspected by Mr. Lai Kar Yin, Chartered Surveyor, on 11 December 2018.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2019
2.	Car Parking Space L6 on Ground Floor, Tai Ping Industrial Centre Block 2, No.55 Ting Kok Road, Tai Po, New Territories, Hong Kong 6/5, 792th equal undivided shares of and in the Lot No. 1700 in Demarcation District No. 11	The property comprises a car parking space on the Ground floor of a 26-storey industrial building completed in 1981. The property is held under a New Grant No. TP11285 for a term extended to 30 June 2047 at an annual government rent equal to 3% of the rateable value of the property.	The property is leased to a third party tenant for a term of 1 year commencing from 1 January 2019 and expiring on 31 December 2019 at a monthly rent of HK$5,400 for car parking uses.	HK$1,400,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 April 2019** HK$1,400,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Grown-Up Manufactory Limited.

2. Grown-Up Manufactory Limited is an indirect wholly-owned subsidiary of the Company.

3. The property was inspected by Mr. Lai Kar Yin, Chartered Surveyor, on 11 December 2018.

Group II – Property interest held by the Group for owner occupation in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2019
3.	An industrial complex located at No. 63 Yingbin Avenue, Xinfeng County Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, the PRC	The property comprises a parcel of land with a site area of approximately 80,522 sq.m and 10 buildings and various structures erected thereon completed in 2006. The buildings have a total gross floor area of approximately 38,320.39 sq.m. The buildings mainly include workshops, offices, dormitories and duty rooms. The land use rights of the property have been granted for a term expiring on 1 September 2054 for industrial uses.	The property is currently occupied by the Group for industrial uses.	RMB50,380,000 (equivalent to approximately HK$58,720,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 April 2019** RMB50,380,000 (equivalent to approximately HK$58,720,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Xin Guo Yong (2005) No. 2500071), the land use rights of the property having a site area of approximately 80,522 sq.m have been granted to GP2 Xinfeng Plant Limited (江西集友日用品有限公司) ("**GP2**") for a term expiring on 1 September 2054 for industrial uses.

2. According to 10 Building Ownership Certificates (Document Nos.: Fang Quan Zheng Xin Fang Zi Nos. 000025022 – 000025031), the building ownership rights of 10 buildings of the property with a total gross floor area of approximately 38,320.39 sq.m have been granted to GP2.

3. GP2 is an indirect wholly-owned subsidiary of the Company.

4. The PRC legal opinion states, inter alia, the following:

   (i) GP2 has obtained the State-owned Land Use Rights Certificate and is the legal land use rights owner. GP2 is entitled to occupy, use, transfer, lease, mortgage or handle the land use rights of the property by other means complied with the PRC laws.

(ii) GP2 has obtained the Building Ownership Rights Certificate and is the legal building rights owner. GP2 is entitled to occupy, use, transfer, lease, mortgage or handle the building ownership rights of the property by other means complied with the PRC laws.

(iii) The property is subject to mortgage. GP2 can only transfer the property subject to the de-registration of the mortgage or upon the consent of the mortgagee.

5. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Land Use Rights Certificate	Yes
(ii)	Building Ownership Certificates	Yes

6. The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 13 December 2018.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 30 May 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or

others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration

and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to

any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by

their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and general meetings requisitioned by shareholders

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the

company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 March 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 February 2018. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 17 April 2018 and our principal place of business in Hong Kong is at Flat D, 7/F, Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong. Mr. Thomas Berg and Ms. Shut Ya Lai have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the same day, one fully paid Share was issued and allotted to the subscriber, which was subsequently transferred to GPG.

(b) On 12 October 2018, as part of the Reorganisation, in consideration of the acquisition by our Company of the entire issued share capital of GHL BVI, 7,435 Shares, 1,600 Shares and 964 Shares were allotted, issued and credited as fully paid to GPG, the Pre-IPO Investor and Berg Group (at the direction of GPG), respectively.

(c) On 18 October 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking *pari passu* with our Shares then in issue in all respects.

(d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 9,000,000,000 Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "3. Written resolutions of our Shareholders passed on 30 May 2019" in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholder(s) in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

(f) Save as disclosed in the section headed "Share Capital" in this prospectus and in this paragraph headed "Changes in share capital of our Company", there has been no other alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 30 May 2019

By written resolutions of our Shareholders passed on 30 May 2019:

(a) our Company approved and adopted the Memorandum of Association with immediate effect and conditionally approved and adopted the Articles with effect from the Listing Date, the terms of which are summarised in Appendix IV to this prospectus;

(b) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:

(i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank pari passu with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional further on the share premium account of our Company being credited as a result of the issue of the new Shares under the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK$8,299,900.00 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 829,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 30 May 2019 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares issued and allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum of Association and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with a total number not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate

number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme (the "**Repurchase Mandate**"), and the Repurchase Mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

(e) a general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Capitalisation issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. For details of the major steps of the Reorganisation, please refer to the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in the in the section headed "History, Reorganisation and Group Structure" in this prospectus, no changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 30 May 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued and allotted pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or share premium of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased. Subject to the Companies Law, a repurchase may also be made out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the instrument of transfer dated 19 October 2017 entered into between GHL BVI and Group One for the transfer of one share in EGIHL to Group One at a nominal consideration of US$1;

(b) the instrument of transfer dated 28 October 2017 and the bought and sold notes dated 28 October 2017 entered into between GPG and GHL BVI for the transfer of 1,250,000 shares in GHL HK to GHL BVI at a consideration of HK$35,160,000;

(c) a share swap agreement dated 9 October 2018 entered into among RHS and GPG for the transfers of 20 shares of GPL HK and 651,562 shares of GPL APS to GPG. In consideration of the aforesaid acquisitions, 111 shares of GPG were allotted, issued and credited as fully paid to RHS;

(d) a share purchase agreement dated 10 October 2018 entered into among GPG and GHL HK for the transfer of 20 shares of GPL HK to GHL HK at a consideration of HK$13.5 million;

(e) a share purchase agreement dated 12 October 2018 entered into among GPE and GPL HK for the transfer of 2,606,250 shares of GPL APS to GPL HK at a consideration of HK$8.2 million;

(f) a share purchase agreement dated 12 October 2018 entered into among GPG and GPL HK for the transfer of 651,562 shares of GPL APS to GPL HK at a consideration of HK$1,460,000;

(g) a sale and purchase agreement dated 12 October 2018 entered into among the Pre-IPO Investor, GPG and our Company for the transfers of 84 shares and 16 shares of GHL BVI to our Company at considerations of (i) 7,435 Shares, 1,600 Shares and 964 Shares being allotted, issued and credited as fully paid to GPG, the Pre-IPO Investor and Berg Group (as the direction by GPG), respectively; and (ii) 4,845 shares, 2,108 shares, 917 shares and 1,019 shares of GPG being allotted, issued and credited as fully paid to Berg Group, Elect Lead, Easy Achiever and RHS, respectively;

(h) the Deed of Non-competition;

(i) the Deed of Indemnity; and

(j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademark(s)

As at the Latest Practicable Date, our Group had registered the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registered owner	Class(es)	Place of registration	Trademark number	Effective period
	GPL HK	9	Chile	1.073.871	From 11 February 2014 to 10 February 2024
	GPL HK	12	Chile	1.042.887	From 4 October 2013 to 3 October 2023
	GPL HK	18	Chile	1.042.885	From 4 October 2013 to 3 October 2023
	GPL HK	18	Russia	504878	From 18 October 2012 to 17 October 2022
	GPL HK	9, 14, 18	U.S.	85/979,884	From 1 October 2013 to 30 September 2023
	GPL HK	18	Panama	220837-01	From 25 February 2013 to 24 February 2023
	GPL HK	18	South Africa	2013/00964	From 16 January 2013 to 15 January 2023
	GPL HK	18	Peru	00216951	From 3 July 2014 to 2 July 2024
	GPL HK	18	Brazil	840422857	From 29 December 2015 to 28 December 2025
	GPL HK	9	Mexico	1609523	From 6 October 2015 to 5 October 2025
	GPL HK	18	Mexico	1716327	From 6 October 2015 to 5 October 2025
	GPL HK	9, 14, 18, 25, 35, 40	Canada	TMA990,519	From 12 February 2018 to 11 February 2033
	GPL HK	18	United Arab Emirates	185240	From 17 January 2013 to 16 January 2023

Trademark	Registered owner	Class(es)	Place of registration	Trademark number	Effective period
	GPL HK	9, 18	Israel	253548	From 17 February 2013 to 16 February 2023
	GPL HK	18	Saudi Arabia	143406727	From 31 March 2013 to 6 December 2022
GROWN UP	GHL HK	9, 18, 35, 40 42	Denmark	VR 2016 00163	From 12 January 2016 to 11 January 2026
植华	GHL HK	18	PRC	23342588	From 21 March 2018 to 20 March 2028
植华	GHL HK	42	PRC	23342587	From 21 March 2018 to 20 March 2028
(A) (B)	GPL HK	18, 42	Hong Kong	304371066	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370887	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370931	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370904	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370896	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370878	From 15 December 2017 to 14 December 2027

Trademark	Registered owner	Class(es)	Place of registration	Trademark number	Effective period
(A) (B)	GPL HK	18, 42	Hong Kong	304370869	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370940	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370959	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370850	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304370968	From 15 December 2017 to 14 December 2027
(A) (B)	GPL HK	18, 42	Hong Kong	304371057	From 15 December 2017 to 14 December 2027

As at the Latest Practicable Date, our Group had applied for registration of the following trademark(s) which, in the opinion of our Directors, are material to our business:

Trademark	Applicant	Class(es)	Place of application	Application number	Application date
Grown Up	GHL HK	18	PRC	33372697	7 September 2018
Grown Up	GHL HK	42	PRC	33372698	7 September 2018
植华	GHL HK	28	PRC	33372699	7 September 2018

(b) Domain name(s)

As at the Latest Practicable Date, our Group had registered the following domain names which, in the opinion of our Directors, are material to our business:

Domain Name	Registered owner	Registration date	Expiry date
grown-up-europe.com	GPM	22 September 1998	21 September 2019
grown-up.com	GPM	25 April 2002	25 April 2022
gp-licenses.com	GPL APS	20 August 2010	20 August 2019
ellehammerbags.com	BBM APS	26 February 2010	26 February 2023

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interest or short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock

Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/ Nature	Number of Shares held/interested in immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Berg *(Note)*	Interest in controlled corporation	617,000,000	61.7%

Note: GPG will directly hold 617,000,000 Shares immediately following completion of the Capitalisation Issue and the Share Offer. GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the Shares held by GPG.

(ii) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature	Number of shares held/ interested in	Percentage of interest in our associated corporation
Mr. Berg*(Note)*	GPG	Interest in controlled corporation	8,870	88.7%
Mr. Henriksen*(Note)*	GPG	Interest in controlled corporation	1,130	11.3%

Note:

GPG is owned by Berg Group, Elect Lead, Easy Achiever and RHS as to 55.2%, 23.4%, 10.2% and 11.3%, respectively. Each of Berg Group, Elect Lead and Easy Achiever is wholly-owned by Mr. Berg and RHS is wholly-owned by Mr. Henriksen. By virtue of the SFO, Mr. Berg is deemed to be interested in the shares in GPG held by each of Berg Group, Elect Lead and Easy Achiever while Mr. Henriksen is deemed to be interested in the shares in GPG held by RHS.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

For information on the persons who will, immediately following completion of the Share Offer, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% of more of any class of Shares carrying the rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries, please refer to the section headed "Substantial Shareholders" in this prospectus.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

(a) The aggregate amount of remuneration accrued to our Directors by our Group for the years ended 31 December 2016, 2017 and 2018 were approximately HK$10.3 million, HK$7.6 million and HK$6.0 million, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately HK$5.4 million.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$'000
Executive Directors	
Mr. Thomas Berg	2,340
Mr. Cheng Wai Man	984
Mr. Morten Rosholm Henriksen	1,193
Non-executive Directors	
Mr. Fung Bing Ngon Johnny	480
Mr. Xiong Jianrui	240
Independent non-executive Directors	
Mr. Tang Tin Lok Stephen	120
Mr. Lau Ning Wa Ricky	120
Ms. Zhou Jing	120

4. Fees or commission received

Save as disclosed in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix had received any agency fees, discounts, commissions, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 32 to the Accountant's Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(e) taking no account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed "A. Further information about our Company" in this Appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;

(f) taking no account any Shares to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed; and

(g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers, five largest subcontractors or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	30 May 2019, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof, unless terminated earlier in accordance with the terms of the Share Option Scheme

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 30 May 2019:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(e) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect

of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all

other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain core connected persons

i. Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

ii. Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of our Shares in issue; and

(b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

(i) Our Company may not grant any options after any inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the

approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the last day on which for our Company is to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

(a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares

allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company

or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as

possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

(1) the expiry of the period referred to in paragraph (i) above;

(2) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);

(3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;

(4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;

(5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) Alteration to the Share Option Scheme

(i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(ii) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(x) Termination of the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 100,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Berg, Easy Achiever, Elect Lead, Berg Group, Mr. Henriksen, RHS and GPG (collectively, the "**Indemnifiers**") have, under the Deed of Indemnity, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any duty which is or thereafter becomes payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in Hong Kong or any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation falling on any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any

penalties, claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or suffered by or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional, and any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or

(c) the taxation liability arises in the ordinary course of business of our Group after 31 December 2018 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed "Business — Legal proceedings" in this prospectus, as at the Latest Practicable Date, we were not involved in any litigation, arbitration, bankruptcy or receivership proceedings or claim of material importance, and there was no litigation, arbitration, bankruptcy or receivership proceedings or claim of material importance pending or threatened against us, which to the best knowledge and belief of our Directors, would have a material and adverse effect on our business, operations or financial condition.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK$5.0 million to the Sponsor to act as the Sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$43,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
DLA Piper Denmark Law Firm Limited Partnership	Legal advisers as to Danish and German law
Commerce & Finance Law Offices	Legal advisers as to PRC law
Ms. Ng Wing Shan Queenie	Barrister-at-law of Hong Kong
China Insights Industry Consultancy Limited	Independent industry consultant
Vigers Appraisal & Consulting Limited	Property valuer and surveyor
Hogan Lovells	Legal Advisers as to International Sanctions law
Mazars Tax Services Limited	Transfer pricing adviser

7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it/he is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Principal Share Registrar and a Hong Kong share register of members will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share register in Hong Kong and may not be lodged in the Cayman Islands.

10. Particulars of the Selling Shareholder

Name:	Berg Group Holding Limited
Registered address:	20/F., Alexandra House, 18 Chater Road, Central, Hong Kong
Date of incorporation:	20 November 2014
Number of Sale Shares to be sold:	80,000,000

11. No material adverse change

Save for the Listing expenses, our Directors confirm that there had been no material adverse change in our financial or trading position or prospects since 31 December 2018 (being the date on which our latest audited consolidated financial statements were prepared) and up to the date of this prospectus, and there had been no event since 31 December 2018 and up to the date of this prospectus which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

11. Miscellaneous

Save as disclosed in this prospectus;

(i) Within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;

(ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(v) none of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix:

(aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;

(vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(vii) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name registered as a dual company name in the Cayman Islands by our Company in conjunction with the English name of our Company does not contravene Cayman Islands law;

(viii) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(ix) our Group has no outstanding convertible debt securities; and

(x) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the Application Forms;

(b) copies of the material contracts referred to in the section headed "B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(c) the written consents referred to in the section headed "E. Other information — 7. Consents of experts" in Appendix V to this prospectus; and

(d) statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of David Fong & Co., at Unit A, 12/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles;

(b) the Accountant's Report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Company for the years ended 31 December 2016, 2017 and 2018;

(e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this prospectus;

(f) the service agreements referred to in the section headed "C. Further information about Substantial Shareholders, Directors and experts — 2. Particulars of service agreements" in Appendix V to this prospectus;

(g) the material contracts referred to in the section headed "B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(h) the written consents referred to in the section headed "E. Other information — 7. Consents of experts" in Appendix V to this prospectus;

(i) the Companies Law;

(j) the rules of the Share Option Scheme;

(k) the legal opinion prepared by our Denmark and Germany Legal Advisers;

(l) the legal opinion prepared by our PRC Legal Advisers;

(m) the legal opinion prepared by our Legal Counsel;

(n) the legal memorandum issued by our International Sanctions and U.S. Legal Advisers;

(o) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix III to this prospectus;

(p) the CIC Report;

(q) the transfer pricing memorandum issued by Mazars Tax Services Limited; and

(r) a statement of particulars of the Selling Shareholder.

GROWN UP GROUP
INVESTMENT HOLDINGS LIMITED
植華集團投資控股有限公司