THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Nameson Holdings Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

南旋控股有限公司

NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1982)

ACQUISITION OF V. SUCCESS — MAJOR AND CONNECTED TRANSACTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

Euto 裕韜 Capital Partners

Independent Financial Adviser

紅日資本有限公司
RED SUN CAPITAL LIMITED

A notice convening the extraordinary general meeting (the "**EGM**") of the Company to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 11 December 2017 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the form of proxy shall be deemed to be revoked.

24 November 2017

CONTENTS

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

"Acquisition"	the acquisition of Sale Shares by the Purchaser pursuant to the Share Transfer Agreement;
"Announcement"	the announcement of the Company dated 28 September 2017 in relation to, among other things, the Acquisition;
"associates(s)"	has the meaning ascribed thereto under the Listing Rules;
"Board"	the board of Directors;
"Business Day(s)"	a day, excluding public holidays, Saturdays and Sundays, on which banks in Hong Kong are open for business throughout their normal hours;
"Company"	Nameson Holdings Limited (南旋控股有限公司), a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange;
"Completion"	completion of the Share Transfer Agreement;
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules;
"Consideration"	the total consideration payable in relation to the Acquisition subject to the terms and conditions under the Share Transfer Agreement;
"Consideration Shares"	200,000,000 new Shares to be allotted and issued to the Vendor to settle part of the Consideration pursuant to the Share Transfer Agreement;
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened and held by the Company on 11 December 2017 to consider and, if thought fit, among other, approve the Acquisition;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"First Team Vietnam"	First Team (Vietnam) Garment Limited, a limited liability company established in Vietnam on 14 March 2014 and an indirect wholly-owned subsidiary of the Company;

"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Huizhou Furuier"	Huizhou City Furuier Technology Co Ltd* 惠州市福瑞爾科技有限公司, a company established in the PRC which entered into certain lease agreement with V. Success Huizhou and is an Independent Third Party;
"Huizhou Lijia"	Huizhou Lijia Clothing Company Limited* 惠州麗佳服裝有限公司, a company established in the PRC which entered into certain lease agreement with V. Success Huizhou;
"Huizhou Lixin"	Huizhou Lixin Technology Company Limited* 惠州立信科技有限公司, a company established in the PRC which entered into certain lease agreement with V. Success Huizhou;
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Ong Chor Wei being the chairman of the independent committee of the Board, Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty) established for the purpose of considering and advising the Independent Shareholders in connection with the Acquisition;
"Independent Financial Adviser"	Red Sun Capital Limited, a licensed corporation which is licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
"Independent Shareholders"	Shareholders other than the Vendor and his associates;
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons;
"Issue Price"	an issue price of HK$1.72 per Consideration Shares, being the higher of (i) the closing price per Share on the date of the Share Transfer Agreement; and (ii) the average closing price per Share for the last five (5) trading days up to and including the date of the Share Transfer Agreement;
"Last Trading Day"	28 September 2017, being the last trading day in the Shares on the date of the Share Transfer Agreement;

"Latest Practicable Date"	21 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Lease Agreements"	the four lease agreements entered into between (a) V. Success Huizhou and (i) Huizhou Lijia; (ii) Huizhou Lixin; and (iii) Huizhou Furuier on 31 August 2017, 30 June 2017 and 28 April 2017 respectively in relation to the lease of factory premises in Huizhou; and (b) V. Success Vietnam and First Team on 1 May 2017 in relation to the lease of factory premises in Vietnam;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Personal Guarantee"	a personal guarantee given by the Vendor to a customer, an Independent Third Party, of the V. Success Group in respect of the obligations of V. Success Group in its supply contract with that customer;
"Profit Guarantee"	has the meanings under the paragraph headed "Profit Guarantee";
"PRC"	the People's Republic of China, which for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Nameson Group Limited, a company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
"Sale Shares"	100 ordinary shares in V. Success held by the Vendor, representing the entire issued share capital of V. Success as at the date of this circular;
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Share Transfer Agreement"	the share transfer agreement dated 28 September 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition;
"Shareholder(s)"	holder(s) of the issued Share(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Takeovers Code"	the Code on Takeovers and Mergers;
"US$"	the lawful currency of the United States of America;
"Valuer"	Colliers International (Hong Kong) Limited, an independent professional valuer;
"Vendor"	Mr. Wong Ting Chung, the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company and is the owner of the entire issued share capital of V. Success as at the date of this circular;
"V. Success"	V. Success Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly-owned by the Vendor as at the date of this circular;
"V. Success Group"	V. Success and its subsidiaries;
"V. Success HK"	V. Success (HK) Limited 保麗信(香港)有限公司, a company incorporated in Hong Kong with limited liability and is directly owned by V. Success;
"V. Success Huizhou"	V. Success (HZ) Knitting Limited 保麗信(惠州)織造有限公司, a company established in the PRC with limited liability and is indirectly owned by V. Success;
"V. Success Vietnam"	V. Success (Vietnam) Knitting Company Limited, a company incorporated in Vietnam with limited liability and is indirectly owned by V. Success; and
"%"	per cent;

For the purpose of this circular, unless otherwise indicated, conversion of (i) US$ into HK$; (ii) RMB into HK$; and (iii) VND into HK$ is calculated at the approximate exchange rate of (i) US$1 to HK$7.8; (ii) RMB1 to HK$1.19; and (iii) VND10,000 to HK$3.43, respectively. Each of these exchange rates is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

* *For identification purpose only*

南 旋 控 股 有 限 公 司
NAMESON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1982)

Executive Directors:
Mr. Wong Ting Chung
(Chairman and Chief Executive Officer)
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing
Ms. Chan Mei Hing, Aurora

Non-executive Directors:
Mr. Tam Wai Hung, David
Mr. Wong Ting Kau
Mr. Wong Wai Yue
Mr. Lau Ka Keung

Independent non-executive Directors:
Ms. Fan Chiu Fun, Fanny
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty

Registered Office:
Cricket Square
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PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Units A–C, 21/F, Block 1
Tai Ping Industrial Centre
57 Ting Kok Road
Tai Po, New Territories
Hong Kong

24 November 2017

To the Shareholders

Dear Sir or Madam,

ACQUISITION OF V. SUCCESS — MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement.

On 28 September 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Share Transfer Agreement pursuant to which the Purchaser agreed to acquire the Sale Shares held by the Vendor, representing the entire issued share capital in V. Success, at the consideration of HK$550 million which shall be satisfied by cash and the issue and allotment of Consideration Shares at Completion. The V. Success Group is principally engaged in the manufacturing of knitted upper for footwear and knitted upper shoes.

Under the Share Transfer Agreement, the Vendor has agreed to provide a Profit Guarantee to the effect that the consolidated net profits (after tax) of the V. Success Group, prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ending 31 March 2018 will be no less than HK$66 million. If V. Success Group fails to meet the above, the Vendor shall pay the Purchaser a compensation equivalent to 8.33 times of the shortfall amount no later than 30 September 2018.

A customer of the V. Success Group had required the Vendor to provide the Personal Guarantee in respect of the contractual obligations of V. Success Group as a supplier of their business under the Share Transfer Agreement. The Personal Guarantee will continue after Completion. The Vendor and the Purchaser agree to work towards the release of the Personal Guarantee after Completion and, if so requested, to require the Company to execute a corporate guarantee in respect of the contractual obligations of V. Success Group as and when necessary or appropriate.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the accountants' report on historical financial information of V. Success Group; (iv) the unaudited pro forma financial information on the Enlarged Group; (v) the valuation report; and (vi) the notice convening the EGM.

THE SHARE TRANSFER AGREEMENT

Date	:	28 September 2017	
Parties	:	Vendor:	Mr. Wong Ting Chung
		Purchaser:	Nameson Group Limited

The Vendor is the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company and is the owner of the entire issued share capital of V. Success as at the date of this circular.

Assets to be acquired

Pursuant to the Share Transfer Agreement, the Purchaser agreed to buy, and the Vendor agreed to sell, the Sale Shares, representing the entire issued share capital of V. Success. As at the date of this circular, V. Success is wholly-owned by the Vendor and indirectly holds V. Success Huizhou and V. Success Vietnam.

According to the Vendor, save for the capitalisation of shareholders' loan in the amount of HK$100 million advanced by the Vendor to V. Success which is a condition precedent for Completion, the total investment cost of the Vendor attributable to the Sale Shares was US$100 (approximately HK$780).

Consideration

Pursuant to the Share Transfer Agreement, the Consideration of HK$550 million shall be settled on Completion in the following manner:

(a) HK$344 million shall be settled by way of allotment and issue of the Consideration Shares by the Company to the Vendor at the Issue Price; and

(b) the remaining Consideration not satisfied by the allotment and issue of the Consideration Shares shall be paid in cash.

The Consideration was determined by the Purchaser and the Vendor after negotiations with reference to (i) the valuation ("**Valuation**") of the Sale Shares of approximately HK$656.5 million prepared by the Valuer; (ii) the Profit Guarantee; (iii) the historical profitability and growth of the V. Success Group; (iv) the net asset value of V. Success (including the capitalization of the loan in the amount of HK$100 million advanced by the Vendor to the V. Success Group); and (v) the flyknit technique possessed by the V. Success Group.

The Directors noted that the Consideration represented a relatively high price-to-book ratio of approximately 10 times based on the net asset value of the V. Success Group of approximately HK$55.2 million as at 31 July 2017. Nevertheless, when taking into account the loan capitalisation in the amount of HK$100 million advanced by the Vendor to V. Success Group to be conducted before the Completion, the net asset value of V. Success Group would increase to HK$155.2 million and the price-to-book ratio would significantly reduce to approximately 3.5 times which is within the range of price-to-book ratios of the 5 comparables selected by the Valuer as set out in the valuation report in Appendix V to this circular.

Since (i) the Consideration represents a discount of approximately 16.2% to the Valuation (ii) the implied price to earnings ratio of 8.33 times as indicated by the Profit Guarantee is lower than that of the Company as at the date of the Announcement; (iii) the price-to-book ratio represented by the Consideration is within the range of the price-to-book ratios of the comparables of V. Success Group; (iv) the historical profitability of the V. Success Group (representing implied price to earnings ratio of 16.72 times based on the profit after tax of HK$32.9 million for the year ended 31 March 2017); (v) the significant growth of the V. Success Group (achieving a net profit of HK$25.4 million for the four months ended 31 July 2017 when compared to that of HK$1.4 million for the four months ended 31 July 2016); and (vi) the positive financial prospects of the V. Success Group taking into account that the monthly revenue of the V. Success Group for each of August and September 2017 had reached over HK$50 million and that the total revenue based on sales orders secured and to be secured by the V. Success Group will be over HK$300 million from 31 March 2017 up to the Latest Practicable Date, the Board considers the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Details of the valuation report in relation to the value attributable to the Sale Shares are set out in Appendix V to this circular.

When assessing the reasonableness of the Valuation prepared by the Valuer, the Directors have performed the following due diligence steps:

(i) interviewed the Valuer and were satisfied with their experience and expertise;

(ii) reviewed and discussed with the Valuer the assumptions, the basis of comparable selection, the market approach used by the Valuer, the adjustments in deriving the normalized P/E ratio of the comparables and their work done in determining the trailing period financial information of the V. Success Group. The Directors were satisfied with their work performed, considered the adjustments in deriving the normalized P/E ratio of the Comparables to be fair and reasonable, and considered the selection criteria of the comparables to be fair and representative;

(iii) regarding the adoption of the 12 months trailing period (being twelve months ended 30 June 2017), the Directors (a) concurred with the Valuer that due to the significant growth of the V. Success Group, such 12 months trailing period, though unaudited, would better reflect the performance of the V. Success Group than either the audited results for the year ended 31 March 2017 or the four months period ended 31 July 2017; (b) noted and confirmed with the Valuer that the source of the financial information during the trailing period was exactly the same as those provided by the V. Success Group to the Company's reporting accountants for preparing the audited financial information of the V. Success Group for the year ended 31 March 2017 and the four months ended 31 July 2017 and, after review, noted no material difference in the two sets of financial information provided to the Company's reporting accountant and to the Valuer respectively; and (c) have communicated the basis of such review to the Valuer and the Valuer concurred with the Directors' view;

(iv) assessed (by reviewing and carrying out a walkthrough study) the operation of the V. Success Group and compared with the comparables selected and were satisfied that the selection was appropriate; and

(v) appointed Euto Capital Partners Limited as the financial adviser to review and advise the Board the information used and key assumptions applied in the Valuation, as well as conduct site visits to the plants of the V. Success Group which are located in Huizhou in the PRC and the outskirts of Ho Chi Minh City in Vietnam in order to obtain a better understanding of its operation scale.

The Directors noted that the Valuation was based on market approach. Taking into account that the Consideration was determined based on among others, the Profit Guarantee, the Directors have further discussed with the Valuer and were advised that:

(i) the income approach is not the most optimal appropriate to value the V. Success Group as this approach involves financial forecast information and the adoption of much more assumptions, not all of which can be easily quantified or ascertained;

(ii) market approach is relatively the most straightforward valuation method in determining market value of assets. Market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative; and

(iii) considering the V. Success Group has sufficient track records and it is expected to sustain its existing business operations in the foreseeable future, the market approach is the most optimal approach for valuing the V. Success Group.

Having considered the above, the Directors considered the basis of comparable selection, the valuation methodology (including the basis of calculation) and the adoption of market approach are fair and reasonable.

Consideration Shares

The Consideration Shares will be issued at the Issue Price which was determined between the parties with reference to the recent trading prices of the Shares and prevailing market conditions. The Consideration Shares represent (i) approximately 9.6% of the issued share capital of the Company as at the date of the Announcement; and (ii) approximately 8.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of the Announcement to the date of Completion save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price is same as the closing price of HK$1.72 per Share, as quoted on the Stock Exchange on the Last Trading Day, and represents a premium of approximately 4% to the average closing price of HK$1.654 per Share, based on the last five (5) trading days up to and including the Last Trading Day. It was determined after arm's length negotiation between the Vendor and the Company. To assess the fairness and reasonableness of the Issue Price, the Directors have performed the following review:

(i) Historical Share prices

The Directors have reviewed the historical price performance of the Shares during the period commencing from 1 October 2016 up to and including the date of the Share Transfer Agreement (i.e. the Last Trading Day) (''Review Period''), which covered almost 12 months. During the Review Period, the closing prices of the Share were trading between HK$1.40 per Share and HK$1.80 per Share, with an average closing Share price of approximately HK$1.59 per Share. The Issue Price of HK$1.72 represented (i) a premium of approximately 22.9% to the lowest closing price per Share; (ii) a premium of approximately 8.2% to average closing price per Share; and (iii) a discount of approximately 4.4% to the highest closing price per Share. Taking into account that the Issue Price (i) is within the range of the closing Share prices and above the average closing price during the Review Period; and (ii) represents a premium of approximately 4% to the average closing price of HK$1.654 per Share (based on the last five (5) trading days up to and including the Last Trading Day), the Directors are of the view that the Issue Price is fair and reasonable.

(ii) Historical trading volume of the Shares

The Directors have reviewed the monthly trading volumes of the Shares and the percentages of the monthly trading volumes to the issued share capital of the Company during the Review Period.

During the Review Period, the monthly trading volume of the Shares ranged between 14,398,000 Shares and 148,256,000 Shares with an average of approximately 49,839,708 Shares. The percentage of total monthly trading volume of the Shares during the Review Period ranged from approximately 0.7% to approximately 7.1% of the total number of issued Shares, with an average of approximately 2.4%.

Regarding the percentage of total monthly trading volume of the Shares when compared with the total number of Shares held by the public Shareholders during the Review Period, it ranged from approximately 2.5% to approximately 25.8%, with an average of approximately 8.7%. The Directors considered that the trading of Shares was active during the Review Period.

Conditions precedent

The Acquisition is conditional upon the fulfilment or waiver (as the case may be) of the following:

(i) the obtaining of the necessary corporate approvals by the Purchaser including but not limited to, the approval by the Independent Shareholders of the Share Transfer Agreement and the transactions contemplated thereunder;

(ii) the Purchaser, in it sole discretion, being satisfied with the results of a due diligence review having been conducted by the Purchaser on the business and operations, assets and liabilities, legal and financial matters of V. Success Group;

(iii) the obtaining of all approvals by V. Success Group from relevant government authorities or regulatory bodies required for Completion;

(iv) the capitalisation of the loan in the amount of HK$100 million advanced by the Vendor to V. Success;

(v) the Purchaser, in it sole discretion, being satisfied with the due diligence reports on the V. Success Group to be issued by the PRC and Vietnam legal advisers appointed by the Purchaser;

(vi) the Purchaser, in its sole discretion, being satisfied with the valuation report to be issued by a valuer acceptable to the Purchaser in relation to the business valuation of the value attributable to the Sale Shares;

(vii) the Listing Committee of the Stock Exchange granting an approval for the listing of, and permission to deal in, all of the Consideration Shares on the Stock Exchange, and such listing and permission not subsequently being revoked prior to Completion;

(viii) the release of the personal bank guarantees provided by the Vendor to secure banking facilities to V. Success Group and the execution of corporate bank guarantees by the Company to secure such banking facilities to V. Success Group; and

(ix) all warranties given by the Purchaser and Vendor remaining true, accurate and not misleading in all material respects.

The Purchaser may at its discretion waive conditions (ii), (iv), (v), (vi), (viii) and (in respect of warranties given by the Purchaser only) (ix) as set out above.

Subject to the fulfillment or waiver by the Purchaser (as the case may be) of the above conditions, Completion will take place on the fifth (5th) Business Day following the fulfilment (or waiver) of the conditions (i) to (viii) or such date as the parties may agree. If any of the above conditions is not fulfilled (or waived by the Purchaser) on or before 31 March 2018, the Share Transfer Agreement shall lapse and neither the party shall have any claim against the other save for antecedent breaches.

As at the Latest Practicable Date, apart from condition(s) (ii), (v) and (vi), all other conditions have not been fulfilled, and the Company has no intention to waive any of the conditions.

Profit Guarantee

The Vendor undertakes that the consolidated net profits (after tax) of the V. Success Group, prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ending 31 March 2018 will be no less than HK$66 million. If V. Success Group fails to meet the above, the Vendor shall pay the Purchaser a compensation equivalent to 8.33 times of the shortfall amount no later than 30 September 2018.

When assessing whether the Profit Guarantee is achievable, the Directors have performed the following due diligence steps:

(i) reviewed the audited financial statements of the V. Success Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 respectively, and noted for the period commencing from the year ended 31 March 2016 to the year ended 31 March 2017, the revenue, gross profit and net profit all had significant growth (for details, please refer to Appendix II and IV to this circular); and

(ii) (a) reviewed the execution of sales orders for the four months ended 31 July 2017 and the outstanding sales orders on hand as at 31 July 2017 and noted that, in addition to the new orders received in August 2017 and September 2017, the total revenue based on sales orders secured and to be secured by the V. Success Group will be over HK$300 million from 31 March 2017 up to the Latest Practicable Date; and (b) considered the V. Success Group's average net profit margin which maintains at around 20% for the four months ended 31 July 2017. Taking into account the above two factors, the Directors estimated that a net profit of HK$60 million is achievable.

Having completed the due diligence above, the Directors consider that the Profit Guarantee, taking into account the historical profitability and the sustainable growth of the V. Success Group together with the status of its sales orders, is achievable and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The personal guarantees provided by the Vendor

A customer of the V. Success Group had required the Vendor to provide the Personal Guarantee in respect of the contractual obligations of V. Success Group as a supplier of their business under the Share Transfer Agreement. The Personal Guarantee will continue after Completion. The Vendor and the Purchaser agree to work towards the release of the Personal Guarantee after Completion and, if so requested, to require the Company to execute a corporate guarantee in respect of the contractual obligations of V. Success Group as and when necessary or appropriate.

The Vendor has provided certain personal bank guarantees to secure the banking facilities of the V. Success Group and these personal bank guarantees remain effective as at the Latest Practicable Date. In order for the Enlarged Group to maintain financial independence from its controlling shareholders (including the Vendor) after Completion, the Group will rely on its own resources to fund the operation of the V. Success Group and therefore it has been made as a condition precedent to the Acquisition that the personal bank guarantees provided by the Vendor to secure the banking facilities of the V. Success Group will be released upon Completion, and that a corporate bank guarantee will be executed by the Company to secure such banking facilities of the V. Success Group thereafter.

Effect of the Share Transfer Agreement on the Shareholding Structure of the Company

The issue of the Consideration Shares will not result in a change of control of the Company. Assuming there is no change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the date of the issue and allotment of the Consideration Shares, the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after issue and allotment of the Consideration Shares will be as follows:

Shareholders	**As at Latest Practicable Date**		**Immediately after the issue and allotment of the maximum number of Consideration Shares**	
	Number of Shares	*Approximate %* *(Note 1)*	*Number of Shares*	*Approximate %*
Nameson Investments Limited *(Note 2)*	1,500,000,000	72.22%	1,500,000,000	65.88%
Happy Family Assets Limited *(Note 2)*	1,500,000,000	72.22%	1,500,000,000	65.88%
East Asia International Trustees Limited *(Note 2)*	1,500,000,000	72.22%	1,500,000,000	65.88%
Mr. Wong Ting Chung *(Note 2)*	1,500,000,000	72.22%	1,700,000,000	74.66%
Public Shareholders	576,884,000	27.78%	576,884,000	25.34%
Total	2,076,884,000	100%	2,276,884,000	100%

Notes:

1. The approximate percentage of shareholding is calculated based on 2,076,884,000 Shares in issue as at the Latest Practicable Date.

2. Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the BVI used by East Asia International Trustees Limited, the trustee of the Happy Family Trust which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed under the SFO to be interested in the Shares held by Nameson Investments Limited. Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore deemed under the SFO to be interested in the Shares held under the Happy Family Trust.

Financial Effect of the Acquisition

Upon Completion, the V. Success Group will become a wholly-owned subsidiary of the Company and the consolidated profit or loss and assets and liabilities of the V. Success Group will be accounted for in the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III to this circular.

Based on the pro forma financial information of the Enlarged Group, the audited consolidated total assets and total liabilities of the Group as at 31 March 2017 amounted to approximately HK$2,732.1 million and approximately HK$1,162.1 million respectively. As a result of the Acquisition, the unaudited consolidated total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$3,766.2 million and HK$1,869.1 million respectively.

Having considered and completed the due diligence on the Profit Guarantee, details of which are set out in the section headed "Profit Guarantee" in this letter, the Directors are of the view that the Profit Guarantee of at least HK$66 million is highly probable to be achieved by the V. Success Group for the financial year ending 31 March 2018. Upon Completion, the Directors expect that the Acquisition will positively increase the earnings of the Group if the Profit Guarantee could be achieved.

In preparing the unaudited pro forma financial information of the Enlarged Group, the Company recognised an intangible asset, being technical know-how of approximately HK$167 million, which was determined by reference to the excess earnings method under income approach. Such technical know-how refers to the flyknit technique (which made by entirely of polyester yarn in a precise knit construction process and is engineered to be featherweight, formfitting and virtually seamless shoe upper), with which the V. Success Group manufactures its knitwear products.

Technical know-how is an internally generated intangible assets. According to the relevant accounting standard, an intangible asset shall only be recognised if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. Accordingly, the technical know-how is not recognised in the financial statements of V. Success during the three years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017. In preparing the unaudited pro forma financial information of the Enlarged Group by the Company, the relevant accounting standard has allowed the Company to recognise at the date of Acquisition, separately from goodwill, an intangible asset of V Success, irrespective of whether the asset had been recognised by the Company before the business combination by applying purchase price allocation. The intangible asset, which is separately identifiable from the purchase price allocation exercise, would be recognised in the Company's consolidated financial statement. The recognition of the intangible asset in the unaudited pro forma financial information of the Enlarged Group has no bearing as to whether V. Success has recognised the intangible asset in its consolidated financial statement.

Other than the intangible asset of HK$167 million, the Company also recognised a goodwill of HK$269 million in preparing the unaudited pro forma financial information of the Enlarged Group. For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Directors have made an assessment on whether there is any impairment in respect of the intangible assets and goodwill arising from the Acquisition with reference to Hong Kong Accounting Standard 36 ''Impairment of Assets''. The Directors have taken into consideration the historical performance and the financial performance of the V. Success Group as the key parameters and business assumptions in such valuation and the Directors have assessed the V. Success Group's recoverable amount based on fair value arising from the identifiable assets. Based on the assessment results, the Directors concluded that there is no impairment in the value of intangible assets and goodwill. The auditor of the Company has performed its work on the pro forma financial information 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''. The auditor has issued a clean opinion on the pro forma financial information of the Enlarged Group, the text of which has been included in Appendix III to this circular.

INFORMATION ON THE V. SUCCESS GROUP

History and Development

V. Success is a company incorporated under the laws of the British Virgin Islands with limited liability on 20 September 2016 and is wholly-owned by the Vendor since the date of incorporation. On 8 November 2016, V. Success acquired the entire interests in V. Success HK from the Vendor. The principal business of V. Success is investment holding.

V. Success HK is a company incorporated under the laws of Hong Kong with limited liability on 21 February 2005 and was wholly-owned by the Vendor as at the date of incorporation. V. Success HK became a wholly-owned subsidiary of V. Success pursuant to an acquisition by V. Success on 8 November 2016. V. Success HK has been an investment holding company since incorporation, and it then commenced its trading activities since the period during the financial year ended 31 March 2016. The principal business of V. Success HK is investment holding and trading of shoes and yarn knitted upper.

V. Success Vietnam is a company incorporated under the laws of Vietnam with limited liability on 26 April 2017 and is wholly-owned by V. Success HK since the date of incorporation. The principal business of V. Success Vietnam is production of yarn knitted upper.

V. Success Huizhou is a company established under the laws of the PRC with limited liability on 2 February 2015 and is wholly-owned by V. Success HK since the date of incorporation. The principal business of V. Success Huizhou is trading and manufacturing of shoes and yarn knitted upper. V. Success Huizhou has been assessed and certified by SGS United Kingdom Ltd. as meeting the requirements of ISO 9001:2008 quality management system certification for the manufacturing of shoes and yarn knitted upper. Such certificate is valid from May 2016 to September 2018.

Each of V. Success Vietnam and V. Success Huizhou leases factories and dormitories in Huizhou and Vietnam respectively for conducting their principal businesses.

Upon Completion, the V. Success Group will become an indirectly wholly-owned subsidiary of the Company and the financial results of the V. Success Group will be consolidated into the financial statements of the Group after Completion.

Products

The products manufactured by the V. Success Group are knitted upper for footwear and knitted upper shoes with use of the flyknit technique (which is made entirely of polyester yarn in a precise knit construction process and is engineered to be featherweight, formfitting and virtually seamless shoe upper).

Production

As advised by the Vendor, as at 30 September 2017, the V. Success Group occupied 2 factories and had 1,964 knitting machines, and the annual designed production capacity of each knitting machine for knitted upper for footwear (including knitted upper shoes) is approximately 10,000 pairs.

Major customers

Revenue derived from top five customers of the V. Success Group during the years/period specified are as follows:

	Profile	Year ended 31 March			Four months ended 31 July	
		2015	2016	2017	2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	shoe manufacturer *(Note)*	—	—	9,449	—	27,587
Customer B	shoe manufacturer *(Note)*	—	—	—	—	23,870
Customer C	shoe manufacturer *(Note)*	—	8,624	21,047	3,759	16,612
Customer D	shoe manufacturer *(Note)*	—	—	39,083	7,945	12,703
Customer E	shoe brand	—	381	24,185	6,831	—
Customer F	shoe manufacturer *(Note)*	—	—	7,202	4,551	—
Customer G	shoe manufacturer *(Note)*	—	2,795	—	3,279	—
Customer H	shoe manufacturer *(Note)*	—	294	—	—	—
Customer I	shoe manufacturer *(Note)*	—	—	—	—	12,053
Customer J	shoe manufacturer *(Note)*	—	15	—	—	—
		—	12,109	100,966	26,365	92,825

Note: Such customer is a shoe manufacturer which manufactures other parts of the shoes (i.e. parts of the shoes other than knitted upper for footwear produced by the V. Success Group).

To the best knowledge of the Directors, there are no shareholding relationships amongst the top five customers of the V. Success Group during the years/period specified above.

As advised by the Vendor, the V. Success Group has not entered into long terms sales contract with its customers, which is consistent with the industry practice. From time to time, the V. Success Group enters into order forms with its customers which detail the specification, quantity and selling price of the product to be purchased by customers. The Group did not experience any large cancellation of confirmed orders since the commencement of its operations.

Major suppliers

Purchases made from top five suppliers of the V. Success Group during the years/period specified are as follows:

	Profile	Year ended 31 March			Four months ended 31 July	
		2015	**2016**	**2017**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Supplier A	Yarn Supplier	—	544	2,853	880	2,337
Supplier B	Hot Melt Yarn Supplier	—	533	2,826	1,313	2,811
Supplier C	Packaging Supplier	—	215	—	228	—
Supplier D	Yarn Supplier	—	164	—	283	—
Supplier E	Yarn Supplier	—	141	—	—	—
Supplier F	Yarn & Elastic Belt Supplier	—	—	6,095	573	2,944
Supplier G	Yarn Supplier	—	—	1,242	—	—
Supplier H	Yarn Supplier	—	—	6,612	1,226	6,377
Supplier I	Yarn Supplier	—	—	—	—	5,154
	TOTAL	—	1,597	19,628	4,503	19,623

As advised by the Vendor, the V. Success Group has not entered into long terms purchase contract with its suppliers in order to maintain flexibility in selecting suppliers.

Financial Information

The consolidated net (loss)/profit both before and after taxation of V. Success Group under the Hong Kong Financial Reporting Standards for the two years ended 31 March 2016 and 2017 respectively are as follows:

	For the year ended 31 March 2016 *('000)* (audited)	For the year ended 31 March 2017 *('000)* (audited)
(Loss)/profit before taxation	HK$(20,146)	HK$37,803
(Loss)/profit after taxation	HK$(20,206)	HK$32,900

The audited consolidated total assets and net asset value of V. Success Group as at 31 July 2017 were approximately HK$817,586,000 and HK$55,225,000 respectively.

Inventory policy

The principal raw materials purchased and used by the V. Success Group in the production process is yarn which is subject to market price fluctuations. As advised by the Vendor, the V. Success Group generally places purchase orders of raw materials after its customers have confirmed their orders.

The V. Success Group has control on the level of inventory in the raw materials warehouses to minimise storage and to avoid wastage of raw materials. An inventory record is kept to facilitate storage and retrieval of raw materials. The V. Success Group has a procurement team which monitors supply and storage of raw materials to assure a sufficient supply of raw materials for production.

Goods return policy

The V. Success Group accepts product returns made due to defects caused by them and bears the costs of such products returned to them after conducting investigation to ascertain the cause of the defect. When the V. Success Group receives a defective product complaint from a customer, it will conduct an investigation to ascertain the cause of the defect and decide if the products should be recalled. During the three years ended 31 March 2017 and the four months ended 31 July 2017, the V. Success Group had experienced immaterial product recalls (not more than HK$1,000 in aggregate) and had no major customer complaints against its products.

Factory premises

The V. Success Group has manufacturing operations in Huizhou, China and Vietnam and its factory premises are the subject of the Lease Agreements. Two of the Lease Agreements relating to the lease of the factory premises in Huizhou, China is currently leased from companies (i.e. Huizhou Lijia and Huizhou Lixin) owned by, among other connected persons, the Vendor. The Lease Agreements will continue after completion of the Acquisition. The principal terms of the Lease Agreements are set out below:

The lease agreements relating to factory premises in Huizhou

On 31 August 2017 and 30 June 2017, V. Success Huizhou, as lessee, entered into the respective lease agreements with (i) Huizhou Lijia; and (ii) Huizhou Lixin, each as lessor pursuant to which the lessors leased to V. Success Huizhou a portion of the factory premises located at Licheng Industrial Zone, Shuikou Sub-district Office, Huicheng District, Huizhou City, Guangdong Province, the PRC, with a total gross floor area of 50,708.58 square meters. The premises is for factory and dormitory use. The term of each of such lease agreements is three years commencing from 1 September 2017 and 1 July 2017 respectively. The monthly rental is RMB571,429 (approximately HK$680,000) and RMB8,098 (approximately HK$9,637), exclusive of tax, respectively. Upon expiry of these lease agreements, V. Success Huizhou has the priority to continue to rent the factory premises subject to making a written application to the lessors. Any sub-lease of the factory premises is not permitted without the consent of the lessors and V. Success Huizhou is responsible for any maintenance or damages made to the factory premises.

On 28 April 2017, V. Success Huizhou entered into a lease agreement as lessee with Huizhou Furuier, an Independent Third Party, as lessor pursuant to which the lessor leased to the lessee the factory premises located at 91 Longhe Road East, Dongxing District, Shuikou Residential District, Huicheng District, Huizhou City, Guangdong Province, the PRC, with a total gross floor area of 2,350 square meters. The premises is used as a warehouse by V. Success Huizhou. The term of such lease agreement is 5 years commencing from 1 May 2017. The monthly rental for the first two years is RMB22,325 (approximately HK$26,567), and the monthly rental for the third year onwards is RMB24,558 (approximately HK$29,224), exclusive of tax. V. Success Huizhou is entitled to a rent-free period from 1 May 2017 to 30 June 2017. Upon expiry of such lease agreement, V. Success Huizhou has the priority to continue to rent the factory premises subject to making a written application to the lessor.

The lease agreement relating to factory premises in Vietnam

On 1 May 2017, V. Success Vietnam entered into a lease agreement as lessee with First Team Vietnam, an indirect wholly-owned subsidiary of the Company, as lessor pursuant to which the lessor leased to the lessee the factory premises located at Lot A1, Road 787, Thanh Thanh Cong Industrial Zone, An Hoa Commune, Trang Bang District, Tay Ninh Province, Vietnam, with a total gross floor area of 12,800 square meters. The premises is for factory use. The term of such lease agreement commenced from 1 May 2017 to 31 March 2020. The monthly rental is VND683,712,000 (approximately HK$234,513), inclusive of tax. V. Success Vietnam is entitled to a rent-free period from 1 May 2017 to 30 June 2017. V. Success Vietnam shall not process the disposal of any waste material, hazardous waste or emission without the written prior approval of First Team Vietnam. V. Success Vietnam shall also obtain the necessary certificates/licences for the operation of its canteen and the safety and hygiene of provision of foods to its staff.

The Enlarged Group intends to renew the Lease Agreements upon the expiry of the Lease Agreements.

Sales and merchandising

The V. Success Group has a sales and merchandising team, which is responsible for procuring new customers, maintaining relationships with existing customers, handling customer inquiries and following up on orders and shipments. As advised by the Vendor, the V. Success Group builds relationships with potential customers through direct promotion, discussion and showcasing its products and services to them.

Credit policy

The V. Success Group's trading terms with its customers are mainly on credit, with credit terms generally ranging from 0 to 60 days. It has policies in place to ensure that sales are made to customers with an appropriate credit history and that all customers who wish to trade on credit terms are subject to regular review and approval from the management. In addition, receivable balances are monitored on an ongoing basis and on an individual basis.

Research and development

The V. Success Group has a design and sample development team, which is primarily responsible for products designs and innovations. As advised by the Vendor, the personnel would communicate regularly with the customers to understand their needs and recommend solutions during the design process.

Intellectual Property

As at the Latest Practicable Date, the V. Success Group owned 8 copyrights registered in the PRC.

Employees

As at 30 September 2017, the V. Success Group had a total of 1,878 employees, of whom 15 were located in Hong Kong, 1,159 were located in the PRC and 704 were located in Vietnam.

The following table sets out a breakdown of the number of the employees of the V. Success Group by function as at 30 September 2017:

Function	**Number of Employees**
Executive officers	11
Production	1,483
Sales and merchandising	38
Finance and accounting	9
Logistics	39
Import/Export declaration	2
Design and sample development	156
Quality control	42
Information technology	5
Procurement	11
Corporate social responsibility	4
Human resources and administration personnel	78
Total	1,878

Non-compliance

Non-compliance incident	Relevant laws and regulations, legal consequences and potential maximum penalties	Remedial measures adopted to prevent future breach and ensure ongoing compliance
1. According to the Vendor, V. Success Huizhou did not comply with the relevant PRC laws and regulations in relation to the social insurance payment and housing provident fund contribution for its employees.	The PRC legal advisers to the Company advised that: 1. Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》): — if an employer fails to report the social insurance premiums payable in accordance with the relevant regulations, the amount payable shall be set at 110% of the premiums paid in the previous month. Once the employer has retroactively undertaken the reporting procedures, the social insurance premium collection institution shall determine the amount outstanding in accordance with the relevant regulations. — if an employer fails to pay the social insurance premiums in full and on time, the social insurance premium collection institution may order it to make the payment or make up the difference within a stipulated period. — if an employer fails to pay the social insurance premiums or make up the difference within such stipulated period, the social insurance premium collection institution may make inquiries with banks and other financial institutions into such employer's deposit accounts, and may apply to the relevant administrative department for a decision to transfer an amount to settle the outstanding social insurance premiums and notify in writing such bank or other financial institutions to transfer such amount to settle the social insurance premiums. If the balance in the account of such employer is less than the social insurance premiums payable, the social insurance premium collection institution may require such employer to provide payment guarantee for the deferral of the outstanding social insurance payment.	The non-compliance was primarily due to the unwillingness of most of the employees of V. Success Huizhou to participate in making such contributions. V. Success Huizhou has obtained written confirmations from relevant local authority in Huizhou, to the effect that: (i) the relevant human resources and social insurance bureaus in Huizhou confirmed on 18 August 2017 that V. Success Huizhou had not been subject to any administrative action or penalty imposed by the relevant government authorities on it for the breach of any laws and regulations relating to social insurance since its establishment; (ii) the relevant social insurance fund authority in Huizhou confirmed on 21 August 2017, that V. Success Huizhou has registered to participate in the relevant social insurance plans and did not have any outstanding social insurance payment since registration; and (iii) the relevant housing provident fund management centers in Huizhou confirmed on 28 September 2017, that V. Success Huizhou had made contributions to the housing provident fund for its employees from 25 March 2017 to 30 September 2017 and had not been subject to any penalty imposed on it for the breach of any relevant laws and regulations. As at the Latest Practicable Date, the Vendor confirmed that no penalty or request for additional payment, damages or compensations in respect of social insurance payment or housing provident fund contribution has been imposed on V. Success Huizhou by any governmental authorities, courts, arbitral institutions, employees or other parties, and there was no labour dispute and complaints arising from social insurance payment and housing provident fund contribution.

Non-compliance incident	Relevant laws and regulations, legal consequences and potential maximum penalties	Remedial measures adopted to prevent future breach and ensure ongoing compliance
	— if such employer fails to pay the social insurance premiums in full and fails to provide any guarantee, the social insurance premium collection institution may apply to the court for seizure, sealing up and auction of such employer's property at a value equivalent to the outstanding social insurance payment to offset the such outstanding payment by using the proceeds from auction. — if an employer fails to pay the social insurance premiums in full and on time, the social insurance premium collection institution may order it to make the payment or make up the difference within a stipulated period, and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administrative department may impose a fine from one to three times the amount of overdue payment. 2. Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》): — if an employer fails to pay the social insurance premiums without a satisfactory reason, the relevant labour administrative department may order it to make the payment within a stipulated period, and may impose a fine for the overdue payment.	In order to rectify such non-compliance, V. Success Huizhou will adopt the following measures: — V. Success Huizhou will provide training to its employees in relation to, amongst other things, their obligations to contribute to their part of the social insurance plans and housing provident fund in order to comply with the applicable PRC laws and regulations; — V. Success Huizhou will make the mandatory contributions for social insurance payment and housing provident fund as one of the requirement for new recruitment; and — V. Success will follow its decision making process to formulate the management of human resources and the use of labour. In addition, Mr. Wong Ting Chung, the ultimate beneficial owner of V. Success Huizhou as at the date of this circular, has issued a letter of commitment stating that he shall be solely responsible for any penalty imposed on V. Success Huizhou in respect of its failure to make contributions to social insurance payment and housing provident fund in accordance with the PRC laws.

Non-compliance incident	Relevant laws and regulations, legal consequences and potential maximum penalties	Remedial measures adopted to prevent future breach and ensure ongoing compliance
	3. Pursuant to the Regulations on Industrial Injury Insurance for the Guangdong Province (《廣東省工傷保險條例》) (2011 Revised): — if an employer fails to maintain industrial injury insurance in accordance with these regulations, the relevant social insurance administrative department may order it to maintain such insurance within a stipulated period in accordance with the law. If an employer fails to pay the industrial injury insurance premiums in full and on time, the social insurance premium collection institution may order it to make the payment or make up the difference within a stipulated period, and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administrative department may impose a fine from one to three times the amount of overdue payment. 4. Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例》) (2002 Revised): — if an employer, in violation of these regulations, fails to undertake registration or open the housing provident fund account for its employees in the bank, the employer may be subject to being ordered by the housing provident fund management center to handling within a stipulated period. If such employer fails to do so within a stipulated period, a fine from RMB10,000 to RMB50,000 will be imposed.	

Non-compliance incident	Relevant laws and regulations, legal consequences and potential maximum penalties	Remedial measures adopted to prevent future breach and ensure ongoing compliance
	The potential maximum penalties under the relevant laws and regulations relating to social insurance payment: — Fines to be imposed for overdue payment include a fine from one to three times the amount of social insurance premiums payable, a fine equivalent to 0.05% of the overdue payment and an additional 10% of the social insurance premiums to be paid next month. If an employer fails to pay or make up social insurance premiums, such employer may be subject to mandatory transfer of social insurance premiums, mandatory guarantee, seizure, sealing up or auction of its property. — if an employer fails to pay the social insurance premiums in accordance with the law, the employee may terminate his/her employment contract with the employer. ***The potential maximum penalties under the relevant laws and regulations relating to housing provident fund:*** — If an employer fails to open the housing provident fund account for its employees, the employer may be subject to being ordered by the housing provident fund management center to handling within a stipulated period. If such employer fails to do so within a stipulated period, a fine from RMB10,000 to RMB50,000 will be imposed.	

Non-compliance incident	Relevant laws and regulations, legal consequences and potential maximum penalties	Remedial measures adopted to prevent future breach and ensure ongoing compliance
2. According to the Vendor, the number of staff employed under labour dispatch arrangement by V. Success Huizhou based on its production and operation needs in certain months has exceeded the statutory number of staff allowed.	1. Pursuant to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), employer shall strictly control the number of staff employed under labour dispatch arrangement, and such number of staff employed shall not exceed 10% of its total number of staff. 2. Pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), if a labour dispatch entity or receiving entity violates these labour dispatch requirements, the relevant labour administrative department may order for rectification within a stipulated period. If rectification is not made within the stipulated period, a fine from RMB5,000 to RMB10,000 for each staff will be imposed, and the business license of the labour dispatch entity shall be revoked. If a staff employed under labour dispatch arrangement suffers any harm or loss caused by the employer, the labour dispatch entity and the employer shall be jointly and severally liable for damages. If the number of staff employed under labour dispatch arrangement exceeds the statutory number of staff allowed, the employer may be subject to a fine from RMB5,000 to RMB10,000 for each staff.	On 21 September 2017, V. Success Huizhou has obtained a certificate from Shuikou Management Authority under Labour and Social Security Bureau of Huicheng District, Huizhou City (惠州市惠城區勞動和社會保障局水口管理所《證明》) certifying that no administrative action or penalty has been imposed on V. Success Huizhou for violation of the Interim Provisions on Labour Dispatch (勞務派遣暫行規定) since its establishment. As at the Latest Practicable Date, the Vendor confirmed that no penalty or request for compensations in respect of labour dispatch has been imposed on V. Success Huizhou by any governmental authorities, courts, arbitral institutions or other parties, and there was no labour dispute and complaints arising from labour dispatch. As confirmed by the Vendor, in order to rectify such non-compliance, V. Success Huizhou has been actively negotiating and cooperating with qualified labour subcontractor in order to reduce the number of staff employed under labour dispatch arrangement by V. Success Huizhou. In addition, Mr. Wong Ting Chung, the beneficial owner of V. Success Huizhou as at the date of this circular, has issued a letter of commitment stating that he shall be solely responsible for any penalty imposed on V. Success Huizhou in respect of any breach relating to labour dispatch under the PRC laws.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture of knitwear products.

The V. Success Group manufactures knitted upper for footwear which are knitted fabrics for the surface of footwear, and also manufactures knitted upper shoes which are shoes made of knitted surface.

The Directors consider that the V. Success Group's footwear business is an appropriate diversification of the Group's existing knitwear business. As footwear is a fashion item, the demand for such product is high in all seasons round. In particular, knitted upper shoes have been the new fashion trend in the past few years and it is anticipated that the demand for such shoes will increase going forward. Therefore, the Directors believe that there is a good growth potential for the footwear business, and there are a lot of potential synergies between the Group and the V. Success Group in manufacturing and product development. Apart from having sufficient financial resources for the development of the footwear manufacturing business, the Group can also leverage the utilisation of its existing operating facilities given that the footwear business uses the similar techniques and production resources as the manufacturing of knitwear which the Group is principally engaged in.

While the Group retains its focus in the apparel industry, the entering into the Acquisition enables the Group to diversify its products and in the medium to long term, such product diversification will allow more opportunity for the Group to further collaborate with existing customers in a wider range of their products, thereby reinforcing customer loyalty and confidence. Not only will seasonality be reduced as far as the Group's revenue is concerned, the main suppliers of machinery for the footwear business are also suppliers of the machinery for the knitwear business. The suppliers will be more likely to show the Group the more cutting edge technology available and this will keep the Group abreast of manufacturing for such products. Production and machinery aside, both footwear and knitted clothing are fashion items and some brands would sell both. By being able to offer both products, the Group will also be exploring ways to get more orders from existing customers.

In light of the above, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) are of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to, and has not entered into any negotiation, understanding and undertaking in relation to the scale down or disposal of its existing business.

Non-competition

The Company's controlling shareholders (including the Vendor) undertake that, save for the interests held through the Company, they do not and will not, and procure their close associates not to, continue to, directly or indirectly, engage or be interested in knitted footwear business and/ or footwear business and other footwear ancillary businesses immediately after Completion until such time as the Group ceases to engage or be interested in the knitted footwear business and/or footwear business and other footwear ancillary businesses. Therefore, after Completion, there will be clear delineation of business between the Group and its controlling shareholder, and no direct or potential competition between the Group and companies controlled by the controlling shareholders of the Company.

LISTING RULES IMPLICATIONS

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

The Vendor is the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company. He and his associates are interested in 1,501,500,000 Shares, representing approximately 72.3% of the total issued share capital of the Company as at the Latest Practicable Date. The Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wong Ting Chung is the Vendor and therefore is materially interested in the Acquisition. Apart from Mr. Wong Ting Chung who abstained from voting on the Board resolutions approving the Acquisition, in order to avoid a perception of a conflict of interest, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau (all brothers of Mr. Wong Ting Chung), Mr. Wong Wai Yue (the son of Mr. Wong Ting Chung) and Mr. Lau Ka Keung (the brother-in-law of Mr. Wong Ting Chung), had also abstained from voting on the Board resolutions approving the Acquisition. Save as disclosed above, none of the other Directors had a material interest in the Acquisition and the transactions contemplated thereunder or was required to abstain from voting on the relevant Board resolutions. Apart from Mr. Wong Ting Chung and his associates, no other Shareholder will be required to abstain from voting at the EGM on resolutions in relation to the Acquisition and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Ong Chor Wei being the chairman of the Independent Board Committee, Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty) has been established to consider, and to advise the Independent Shareholders on, the fairness and reasonableness of the terms of the Acquisition. Red Sun Capital Limited has been appointed as the Company's independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the same.

EGM

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed to approve the Acquisition and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the

Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the form of proxy shall be deemed to be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM shall be conducted by way of poll and the results of the EGM will be announced by the Company in compliance with the Listing Rules.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the view that the Acquisition was on normal commercial terms, and the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Nameson Holdings Limited
Mr. Tao Chi Keung
Company Secretary

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

南旋控股有限公司
NAMESON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1982)

To the Independent Shareholders 24 November 2017

Dear Sir or Madam,

ACQUISITION OF V. SUCCESS — MAJOR AND CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Nameson Holdings Limited (the "**Company**") in respect of the resolution to approve Acquisition and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of Red Sun Capital Limited in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, as set out in the "Letter from Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider the terms of the Acquisition and transactions contemplated thereunder to be fair and reasonable, on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Acquisition and the transactions contemplated thereunder.

Your faithfully,
The Independent Board Committee

Fan Chiu Fun, Fanny	**Ong Chor Wei**	**Kan Chung Nin, Tony**
Independent non-executive Director	*Independent non-executive Director (Chairman)*	*Independent non-executive Director*

Fan Chun Wah, Andrew	**Lee Bik Kee, Betty**
Independent non-executive Director	*Independent non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

24 November 2017

To: The Independent Board Committee and the Independent Shareholders of Nameson Holdings Limited

Dear Sir/Madam,

ACQUISITION OF V. SUCCESS — MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of Nameson Holdings Limited to the Shareholders dated 24 November 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 28 September 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire the Sale Shares held by the Vendor, representing the entire issued share capital of V. Success, at the consideration of HK$550 million which shall be satisfied by cash and the issue and allotment of the Consideration Shares at Completion. As at the Latest Practicable Date, V. Success was ultimately wholly-owned by the Vendor.

As at the Latest Practicable Date, the Vendor, or Mr. Wong Ting Chung ("**Mr. Wong**"), is the chairman, chief executive officer, an executive Director and a substantial Shareholder of the Company. He and his associates are interested in 1,501,500,000 Shares, representing approximately 72.3% of the total issued share capital of the Company as at the Latest Practicable Date. The Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

The EGM will be convened and held to seek approval from the Independent Shareholders in relation to the Acquisition. Mr. Wong, being the Vendor, and his associates will be required to abstain from voting at the EGM on resolutions in relation to the Acquisition pursuant to Rule 2.15, 14.46 and 14A.36 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Ong Chor Wei being the chairman of the Independent Board Committee, Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew, and Ms. Lee Bik Kee, Betty, has been established to consider, and to advise the Independent Shareholders on, the fairness and reasonableness of the terms of the Acquisition. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Acquisition and are thus suitable to give advice and recommendation to the Independent Shareholders.

OUR INDEPENDENCE

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

Our role as the Independent Financial Adviser is to give our independent opinion to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder on (i) whether the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Independent Shareholders as a whole; (iii) advise to the Independent Board Committee on whether the Independent Shareholders should vote in favour of the relevant resolutions and the transactions contemplated thereunder.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, the Share Transfer Agreement, the annual report of the Company for the year ended 31 March 2017 (the "**2017 Annual Report**"), the annual report of the Company for the year ended 31 March 2016 (the "**2016**

Annual Report"), and the valuation report as set out in Appendix V to the Circular (the "**Valuation Report**"), which was prepared by Colliers International (Hong Kong) Limited, an independent valuer, in relation to the fair value of the Sale Shares as at 25 September 2017. We have also conducted site visits to the plants of the V. Success Group which are located in Huizhou in the PRC and Ho Chi Minh City in Vietnam in order to obtain a better understanding of its operation scale and have discussed with the management of the Company regarding the prospect of the business of the V. Success Group. Since we are not experts in the valuation of business, we have relied solely on the Valuation Report for the fair value of Sale Shares.

When considering the fairness, reasonableness and completeness of the assumptions made by the Valuer in the Valuation Report, we have (i) interviewed the Valuer at their office regarding its expertise and independence in the Acquisition; (ii) reviewed the scope of work of the Valuer regarding the valuation, in particular, as to whether it is subject to any limitations that might undermine the level of assurance given with respect to the Valuation Report; (iii) discussed with the Valuer in relation to its work done in preparation of the Valuation Report; and (iv) reviewed the credentials provided by the Valuer and publicly available information on the Valuer's experience in performing valuations for companies listed on the Stock Exchange.

Based on our discussions with the Valuer, together with our assessment on its profile and experience in performing valuation services, we are not aware of any material matters that would cause us to doubt the Valuer's independence and expertise in relation to the engagement, and with particular attention to its scope of work, we are not aware of any material deficiency on the scope of work which might adversely impact the degree of assurance of the Valuation Report. Details of our assessment are set out in section "Valuation of the V. Success Group" of this letter.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, due and careful consideration and there are no other matters the omission of which would make any statement contained in the Circular, including this letter, misleading.

We consider that we have been provided with sufficient and appropriate information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, the other connected persons or their respective subsidiaries or associates. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SHARE TRANSFER AGREEMENT

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

(A) Background information of the Group

(i) Principal business activities

According to the 2017 Annual Report, the Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of knitwear products. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 April 2016.

(ii) Financial performance and financial position of the Group

The following table sets out a summary of the consolidated income statements of the Group for each of the three years ended 31 March 2015, 2016 and 2017 as extracted from the 2016 Annual Report and 2017 Annual Report:

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	2,567,667	2,775,345	2,797,193
Gross profit	573,368	603,928	662,622
Gross profit margin	22.3%	21.8%	23.7%
Profit for the year attributable to the owners of the Company	273,346	231,887	328,131
Net profit margin	10.6%	8.4%	11.7%

Revenue of the Group during the above periods was generated from one single segment, i.e. the manufacturing of knitwear products. Revenue increased by approximately 8.1% from approximately HK$2,567.7 million for the year ended 31

March 2015 to approximately HK$2,775.3 million for the year ended 31 March 2016, primarily driven by the increase in sales volume in all categories of the Group's knitwear products, in particular the women wear. Revenue increased slightly by approximately 0.8% from approximately HK$2,775.3 million for the year ended 31 March 2016 to approximately HK$2,797.2 million for the year ended 31 March 2017, which was relatively stable.

The gross profit margin of the Group slightly decreased from approximately 22.3% for the year ended 31 March 2015 to approximately 21.8% for the year ended 31 March 2016. This was mainly due to the increase in direct labour costs which was partially offset by the decreases in subcontracting charges and production overhead costs. The gross profit margin of the Group increased from approximately 21.8% for the year ended 31 March 2016 to approximately 23.7% for the year ended 31 March 2017, which was mainly due to (i) improvement in cost and production efficiency as a result of cost control measures and streamlining of production process in the factories in the PRC and Vietnam; and (ii) continuous depreciation of Renminbi during the year.

The profit for the year attributable to the owners of the Company decreased by approximately HK$41.5 million from approximately HK$273.3 million for the year ended 31 March 2015 to approximately HK$231.9 million for the year ended 31 March 2016. The net profit margin of the Group decreased from approximately 10.6% for the year ended 31 March 2015 to approximately 8.4% for the year ended 31 March 2016. The decrease in profit for the year attributable to the owners of the Company and the net profit margin was mainly due to the increase in listing expenses incurred in connection with the Company's listing on the Stock Exchange and the net loss of approximately HK$12.3 million from derivative financial instruments whilst a net gain of approximately HK$26.5 million was recognised from such derivative financial instruments for the year ended 31 March 2015.

The profit for the year attributable to the owners of the Company increased by approximately HK$96.2 million from approximately HK$231.9 million for the year ended 31 March 2016 to approximately HK$328.1 million for the year ended 31 March 2017. The net profit margin of the Group increased from approximately 8.4% for the year ended 31 March 2016 to approximately 11.7% for the year ended 31 March 2017. The increase in profit for the year attributable to the owners of the Company and the net profit margin was mainly due to (i) the increase in gross profit margin as a result of cost control measures and streamlining of production process in the Group's production bases and continuous deprecation of Renminbi; (ii) the decrease in listing expenses incurred in connection with the Company's listing as the Company's shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016; and (iii) the net losses of approximately HK$12.3 million from derivative financial instruments were recognised for the year ended 31 March 2016 whilst no such losses or gains from derivative financial instruments for the year ended 31 March 2017.

The following table sets out a summary of the consolidated balance sheet of the Group as at 31 March 2015, 2016 and 2017:

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets	1,116,085	1,085,097	1,459,837
Current assets	1,268,944	726,530	1,272,224
Current liabilities	1,120,126	983,374	780,786
Non-current liabilities	143,568	170,960	381,279
Net assets/total equity	1,121,335	657,293	1,569,996

As at 31 March 2017, the major assets of the Group were (i) cash and cash equivalents of approximately HK$643.2 million, representing mainly cash and bank balances and short-term bank deposits; (ii) plant and machinery of approximately HK$607.0 million; and (iii) land and buildings of primarily situated in the PRC and Vietnam of approximately HK$565.1 million.

As at 31 March 2017, the major liabilities of the Group were (i) bank borrowings of approximately HK$470.0 million; (ii) trade and bills payables of approximately HK$175.0 million; and (iii) current income tax liabilities of approximately HK$107.2 million.

(B) Reasons for and benefits of the Acquisition

The key reasons for and benefits of the Acquisition are set out in the Board Letter in the Circular and summarised below:

— the V. Success Group's footwear business is an appropriate diversification of the Group's existing knitwear business. As footwear is a fashion item, the demand for such product is high in all seasons round. In particular, knitted upper shoes have been the new fashion trend in the past few years and it is anticipated that the demand for such shoes will increase going forward;

— the potential synergies between the Group and the V. Success Group in manufacturing and product development. Apart from having sufficient resources for the development of the footwear manufacturing business, the Group can also leverage the utilisation of its existing operating facilities given that the footwear business uses the similar techniques and production resources as the manufacturing of knitwear which the Group is principally engaged in;

— the Group can diversify its products and in the medium to long run, such product diversification will allow the Group to have more opportunity to further collaborate with existing customers in a wider range of their products, thereby reinforcing customer loyalty and confidence;

— the main suppliers of machinery for the footwear business are also suppliers of the machinery for the knitwear business. The suppliers will be more likely to show the Group the more cutting-edge technology available and this will keep the Group abreast of manufacturing for such products; and

— both footwear and knitted clothing are fashion items and some brands would sell both. By being able to offer both products, the Group will also be exploring ways to get more orders from existing customers.

We consider the business of the V. Success Group to be complementary to that of the Group, and that the Acquisition offers a sensible extension of the Group's business. In arriving at our view, we have considered the above facts, in particular, the potential synergies between the Group and the V. Success Group in manufacturing and product development of footwear.

The Company's controlling shareholders (including the Vendor) undertake that, save for the interests held through the Company, they do not and will not, and procure their close associates not to, continue to, directly or indirectly, engage or be interested in knitted footwear business and/ or footwear business and other footwear ancillary businesses immediately after Completion until such time as the Company ceases to engage or be interested in the knitted footwear business and/or footwear business and other footwear ancillary businesses. To further assess the potential competition between the Company and its controlling shareholders, we have also reviewed the deed of non-competition dated 24 March 2016 entered into by the controlling shareholders of the Company in favour of the Company pursuant to which the controlling shareholders procure that they will not be involved in any business which may be in competition with the business of the Group. We are therefore satisfied that the Company's controlling shareholders will not continue to engage in knitted footwear business and/or footwear business and other footwear ancillary business after the Completion and there will be clear delineation of business between the Company and its controlling shareholders and no direct or potential competition between the Company and companies controlled by the controlling shareholders of the Company after Completion.

(C) Information of the V. Success Group

(i) Background and businesses of the V. Success Group

V. Success is a company incorporated under the laws of the British Virgin Islands with limited liability on 20 September 2016 and is wholly-owned by the Vendor since the date of incorporation. On 8 November 2016, V. Success acquired the entire interests in V. Success HK from the Vendor. The principal business of V. Success is investment holding.

V. Success HK is a company incorporated under the laws of Hong Kong with limited liability on 21 February 2005 and was wholly-owned by the Vendor as at the date of incorporation. V. Success HK became a wholly-owned subsidiary of V. Success pursuant to an acquisition by V. Success on 8 November 2016. V. Success HK has been an investment holding company since incorporation, and it then commenced its trading activities since the period during the financial year ended 31 March 2016. The principal business of V. Success HK is investment holding and trading of shoes and yarn knitted upper.

V. Success Vietnam is a company incorporated under the laws of Vietnam with limited liability on 26 April 2017 and is wholly-owned by V. Success HK since the date of incorporation. The principal business of V. Success Vietnam is production of yarn knitted upper.

V. Success Huizhou is a company established under the laws of the PRC with limited liability on 2 February 2015 and is wholly-owned by V. Success HK since the date of incorporation. The principal business of V. Success Huizhou is trading and manufacturing of shoes and yarn knitted upper. V. Success Huizhou has been assessed and certified by SGS United Kingdom Ltd. as meeting the requirements of ISO 9001:2008 quality management system certification for the manufacturing of shoes and yarn knitted upper. Such certificate is valid from May 2016 to September 2018.

Each of V. Success Vietnam and V. Success Huizhou leases factories and dormitories in Huizhou and Vietnam respectively for conducting their principal businesses.

The products manufactured by the V. Success Group are knitted upper for footwear and knitted upper shoes with use of the flyknit technique (which is made entirely of polyester yarn in a precise knit construction process and is engineered to be featherweight, formfitting and virtually seamless shoe upper).

(ii) Financial performance and position of the V. Success Group

The following table sets out a summary of the combined statements of profit or loss of the V. Success Group for each of the two years ended 31 March 2016 and 2017 and each of the four months ended 31 July 2016 and 2017, as extracted from the accountants' report on historical financial information of the V. Success Group as set out in Appendix II to the Circular:

	For the year ended 31 March		**For the four months ended 31 July**	
	2016	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(audited)
Revenue	12,114	137,851	27,303	125,833
Gross (loss)/profit	(6,371)	70,724	8,941	55,103
(Loss)/profit before taxation	(20,146)	37,803	1,488	31,265
(Loss)/profit after taxation	(20,206)	32,900	1,370	25,419

The revenue of the V. Success Group increased from approximately HK$12.1 million for the financial year ended 31 March 2016 to approximately HK$137.9 million for the financial year ended 31 March 2017 and increased from approximately HK$27.3 million for the four months ended 31 July 2016 to approximately HK$125.8 million for the four months ended 31 July 2017, mainly due to (i) the organic growth in the business operation; (ii) additional manufacturing machines having been put in place; and (iii) the expansion of customer base during the aforesaid periods.

The following table sets out the combined statement of financial position of the V. Success Group as at 31 March 2016, 31 March 2017 and 31 July 2017, as extracted from the accountants' report on historical financial information of the V. Success Group as set out in Appendix II to the Circular:

	As at 31 March 2016	**As at 31 March 2017**	**As at 31 July 2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets	76,824	330,835	516,154
Current assets	27,170	138,670	301,432
Current liabilities	111,460	256,027	347,692
Non-current liabilities	14,856	207,507	414,669
Net (liabilities)/assets	(22,322)	5,971	55,225
(Deficiency in shareholder's fund)/total equity	(22,322)	5,971	55,225

The total assets of the V. Success Group as at 31 March 2016 include (i) non-current assets of approximately HK$76.8 million; and (ii) current assets of approximately HK$27.2 million. The total assets of the V. Success Group as at 31 March 2017 include (i) non-current assets of approximately HK$330.8 million; and (ii) current assets of approximately HK$138.7 million. The total assets of the V. Success Group as at 31 July 2017 include (i) non-current assets of approximately HK$516.2 million; and (ii) current assets of approximately HK$301.4 million. The increase was mainly due to (i) an increase in investment in the property, plant and equipment; (ii) an increase in bank and cash balances; and (iii) the V. Success Group experienced organic growth resulting in more manufacturing machines and customers.

The total liabilities of the V. Success Group as at 31 March 2016 include (i) current liabilities of approximately HK$111.5 million; and (ii) non-current liabilities of approximately HK$14.9 million. The total liabilities of the V. Success as at 31 March 2017 include (i) current liabilities of approximately HK$256.0 million; and (ii) non-current liabilities of approximately HK$207.5 million. The total liabilities of the V. Success as at 31 July 2017 include (i) current liabilities of approximately HK$347.7 million; and (ii) non-current liabilities of approximately HK$414.7 million. The increase in total liabilities was mainly due to more borrowings.

As a result of the above, the net assets of the V. Success Group as at 31 March 2017 amounted to approximately HK$6.0 million compared to the net liabilities of approximately HK$22.3 million as at 31 March 2016, and the net assets of the V. Success Group amounted to approximately HK$55.2 million as at 31 July 2017.

The net current liabilities of the V. Success Group amounted to approximately HK$84.3 million, HK$117.4 million and HK$46.3 million as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively. We have reviewed the audited figures of the V. Success Group as set out in Appendix II of the Circular, and concur with the Director's view that the change in the net current liabilities of the V. Success Group over the period mentioned was mainly due to (i) the inventories increased from approximately HK$1.2 million as at 31 March 2016 to approximately HK$12.5 million as at 31 March 2017, and further increased to approximately HK$34.4 million as at 31 July 2017, which was in line with the growth of the business; (ii) the trade receivables increased from approximately HK$7.3 million as at 31 March 2016 to approximately HK$37.0 million as at 31 March 2017, and further increased to approximately HK$57.3 million as at 31 July 2017, which was in line with the growth of the business; (iii) the prepayments, deposits and other receivables increased from approximately HK$14.8 million as at 31 March 2016 to approximately HK$51.2 million as at 31 March 2017, and further increased to approximately HK$94.9 million as at 31 July 2017, which were mainly due to the increase in prepayments and deposits for purchasing machineries and the increase in value-added-tax receivables associated; (iv) the bank and cash balances increased from approximately HK$3.9 million as at 31 March 2016 to approximately HK$38.0 million as at 31 March 2017, and further increased to approximately HK$114.8 million as at 31 July 2017, details of the movement could be found in the consolidated statements of cash flows as set out in the accountants' report on historical financial information of V. Success Group; (v) the trade payables increased from approximately HK$0.8 million as at 31 March 2016 to approximately HK$9.8 million as at 31 March 2017, and further increased to approximately HK$28.2 million as at 31 July 2017, which were in line with the growth of the business; (vi) the accruals and other payables increased from approximately HK$10.3 million as at 31 March 2016 to approximately HK$39.6 million as at 31 March 2017, and further increased to approximately HK$81.0 million as at 31 July 2017, which were mainly due to the unsettled acquisition of property, plant and equipment and the increase in the provision for social security fund and housing fund; (vii) the amount due to director decreased from approximately HK$94.9 million as at 31 March 2016 to nil as at 31 March 2017 and remained nil as at 31 July 2017, which was mainly due to the repayment terms of the amount due to director was more than one year as at 31 March 2017 and 31 July 2017; (viii) the borrowings increased from approximately HK$5.5 million as at 31 March 2016 to approximately HK$202.7 million as at 31 March 2017, and further increased to approximately HK$234.8 million as at 31 July 2017, which were used to finance the purchase of fixed assets; and (ix) the current tax liabilities increased from approximate HK$4 thousand as at 31 March 2016 to approximately HK$4.0 million as at 31 March 2017, and slightly decreased to approximately HK$3.7 million as at 31 July 2017, which were mainly due to the increase in income tax liabilities in the PRC and the increase in profits tax in Hong Kong.

We also noted that part of the loan from Mr. Wong amounting to approximately HK$84.7 million were repaid by cash in August and September 2017. According to the accountants' report on historical financial information of the V. Success Group set out in Appendix II, the gearing ratio of the V. Success Group (calculated by loans and borrowings divided by total equity) was approximately 1,176.0% as at 31 July 2017. The repayment of the loan from Mr. Wong would reduce the gearing level. The capitalisation of loan amounting to HK$100,000,000, which is a condition precedent to the Acquisition, would further reduce the gearing ratio to approximately 299.4% (assuming no other events but the repayment and the capitalisation of the loan from Mr. Wong). As such, we consider that the loan repayment to Mr. Wong will have a positive impact on the gearing of the V. Success Group.

We noted from the Board Letter that the Directors decided to maintain the Group's financial independence from its controlling shareholders (including the Vendor) after the Completion and to rely on its own resources to fund the operation of the V. Success Group. Therefore, the loan from the Vendor of approximately HK$184.7 million would be settled by (i) repayment of approximately HK$84.7 million in cash in August and September 2017; and (ii) a condition precedent to the Acquisition that the balance of the loan of HK$100 million would be capitalised by the Vendor before Completion. We discussed with Directors, and concur with the view of Directors that the repayment of loan, together with the capitalisation of the loan, would enhance the financial independence of the Group and the price-to-book ratio (the "**P/B Raito**") of the Group would reduce from approximately 10.0 times to approximately 3.5 times (assuming the loan capitalisation was made on the net assets of the V. Success Group as at 31 July 2017).

We noted that, from the accountants' report on historical financial information of V. Success Group, the bank borrowings of the V. Success Group were secured by Mr. Wong by way of personal guarantee. Besides, we also noted that (i) the cash and bank balances of the V. Success Group were approximately HK$123.6 million as at 31 October 2017, which was higher than the cash and bank balances of approximately HK$114.8 million as at 31 July 2017 and the increase in cash and bank balance was after the repayment of the loan from a director of approximately HK$84.7 million; and (ii) as noted from the Board Letter, the monthly revenue of the V. Success Group for August 2017 and September 2017 both reached over HK$50 million per month, the monthly variable costs amount to HK$30 million and a fixed cost of HK$7 million, resulting a monthly working capital (cash outflow) of HK$37 million. Assuming the monthly revenue of the Company remaining over HK$50 million, the Company is of the view that the operation of the V Success Group shall generate a positive net working capital (cash inflow) for the Group of approximately HK$13 million per month; (iii) reviewed the management account of the V. Success

Group for the month ended 30 September 2017 and concur with the Directors that the estimated variable-cost-to-revenue of 60% per month and the fixed cost of administrative costs of HK$7 million per month were a reasonable projection to the monthly variable costs and monthly fixed costs from October 2017 to March 2018, and hence provides a reasonable estimation on the monthly cash inflow of the V. Success Group; and (iv) the V. Success Group's cash balance of HK$123.6 million as at 31 October 2017 is more than the aggregate amount of the bank borrowing of HK$66 million and finance lease obligations of HK$81 million which shall be repaid within twelve months from 30 September 2017 (as noted from appendix IV). The Directors are of the view, and we concur that, the cash position of V. Success Group is healthy and the V. Success Group can generate cash to meet its financial obligation and cash requirements. We therefore are of the view that the Company should be able to settle its short-term financial obligation.

(iii) Intangible assets and goodwill of the V. Success Group and related fair value adjustments

In preparing the unaudited pro forma financial information of the Enlarged Group, the Company recognised an intangible asset, the technical know-how, of approximately HK$167 million, which was determined by reference to the excess earnings method under income approach. Such technical know-how refers to the flyknit technique (which made by entirely of polyester yarn in a precise knit construction process and is engineered to be featherweight, formfitting and virtually seamless shoe upper), with which the V. Success Group manufactures its knitwear products.

Technical know-how is an internally generated intangible asset. We noted that it is not recognised in the audited financial statements of the V. Success Group. We have discussed with the reporting accountant and noted that, according to the relevant accounting standard, an intangible asset shall only be recognised if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably and hence the technical know-how is not recognised in the financial statements of V. Success during the three years ended 31 March 2017 and four months ended 31 July 2017. In preparing the unaudited pro forma financial information of the Enlarged Group by the Company, the relevant accounting standard allowed the Company to recognise the technical know-how at the acquisition date, separately from goodwill, an intangible asset of V Success, irrespective of whether the asset had been recognised by the Company before the business combination by applying purchase price allocation. This intangible asset, which is separately identifiable from the purchase price allocation exercise, would be recognised in the Company's consolidated financial statements. After going through the relevant accounting standard, we concur with the reporting accountant that the recognition of the intangible asset in the unaudited pro forma financial information has no bearing as to whether V. Success has recognised the intangible asset in its consolidated financial statement.

We also noted that, other than the intangible asset of HK$167 million, the Company also recognised a goodwill of HK$269 million in preparing the unaudited pro forma financial information of the Enlarged Group. For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Directors have made an assessment on whether there is any impairment in respect of the intangible assets and goodwill arising from the Acquisition with reference to Hong Kong Accounting Standard 36 ''Impairment of Assets''. The Directors have taken into consideration the historical performance and the financial performance of the V. Success Group as the key parameters and business assumptions in the valuation and the Directors have assessed the V. Success Group's recoverable amount based on fair value arising from the identifiable assets. Based on the assessment results, the Directors concluded that there is no impairment in the value of intangible assets and goodwill. The auditor of the Company has performed its work on the pro forma financial information 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''. The reporting accountant has issued a clean opinion on the pro forma financial information, the text of which has been included in Appendix III to this circular.

We have reviewed the valuation report for the valuation of the technical know-how prepared by the Valuer and noted that the Valuer applied the excess earning method with a discount rate of approximately 15.7%. We noted from the valuation report of the technical know-how that the discount rate was arrived after adopting public information including (i) the 10-year China Sovereign Bond as the risk-free rate; (ii) a small company risk premium by reference to Duff & Phelps LLC 2016 Valuation Handbook, which is the study of historical capital markets data; (iii) the Renminbi Benchmark Interest Rate for Loans of Financial Institutions announced by the People's Bank of China as at the Valuation Date; and (iv) the applicable tax rate of 25% which was the business income tax rate in China. We have reviewed the above mentioned information, and concur with the Valuer that the discount rate of approximately 15.7% was fair and reasonable.

(iv) Key financial ratios of the V. Success Group

	Year ended 31 March			**Four months ended 31 July**
	2015	**2016**	**2017**	**2017**
Inventory turnover days (days) *(Note 1)*	—	24	68	59
Trade receivable turnover days (days) *(Note 2)*	N/A	219	98	56
Trade payable turnover days (days) *(Note 3)*	N/A	16	53	49

Notes:

1. Inventory turnover days are calculated by the inventories divided by the cost of sales for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 and 122 days for the four months ended 31 July 2017.

2. Trade receivables turnover days are calculated by the trade receivables divided by the total revenues for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 and 122 days for the four months ended 31 July 2017.

3. Trade payables turnover days are calculated by the trade payables divided by cost of sales for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 and 122 days for the four months ended 31 July 2017.

The inventory turnover days increased from 24 days to 68 days from the year ended 31 March 2016 to 2017 as the V. Success Group has improved the production capacity at a rate greater than the sales. It then decreased to 59 days when the sales has subsequently picked up.

The trade receivable turnover days were at 219 days for the year ended 31 March 2016 as majority of the trade receivable was still within credit term. It then decreased to 98 days and further decreased to 56 days when more trade receivables were recovered after the expiry of credit terms.

The trade payable turnover days increased from 16 days to 53 days from the year ended 31 March 2016 to 31 March 2017 as the V. Success Group has purchased raw materials at a rate greater than the sales for its expansion of production capacity. It decreased to 49 days when the growth rate of sales has subsequently picked up.

We have reviewed the inventory turnover schedule form the year ended 31 March 2017 and with the understanding that the additional manufacturing machines have been put in place which lead to an increase in production capacity of the V. Success Group. For the increase in turnover days for the trade receivable and payable, we understood from the management of the Company that the turnover days were recovered or still within the credit period stated on relevant contracts. Therefore, we are of the view that the inventory turnover schedule and turnover days of trade receivable and trade payable are in line with the development of the V. Success Group.

(D) Valuation of the V. Success Group

As described in the Board Letter, the Consideration was determined after arm's length negotiations between the parties to the Share Transfer Agreement on normal commercial terms, taking into account, among other things, (i) the preliminary valuation of the Sale Shares of approximately HK$656.5 million prepared by the Valuer; (ii) the Profit Guarantee; (iii) the historical profitability and growth of the V. Success Group; (iv) the net asset value of V. Success (including the capitalisation of the loan in the amount of

HK$100 million advanced by the Vendor to the V. Success Group); and (v) the flyknit technique possessed by the V. Success Group. Details of the Valuation Report are set out in Appendix V to the Circular.

The valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2017 published by the International Valuation Standards Council, where applicable.

(i) Valuation methodology

We have reviewed the Valuation Report and discussed with the Valuer the methodology, bases and assumptions which they have adopted. We understood from the Valuer that they have applied the market approach to derive the fair value of approximately HK$656.5 million for the 100% equity interest of V. Success. According to the discussion with the Valuer, the valuation of any business can be broadly classified into one of three approaches, namely the market approach, the asset approach and the income approach. We agree that, for valuing a business, all three approaches must be considered, and the approach deemed most relevant should be selected for use in the fair value analysis of that business. We noted that the Valuer had used the market approach mainly because (a) the asset approach is generally not considered applicable to the valuation of a going concern business, which is the case of the V. Success Group; and (b) the income approach involved financial forecast information and the adopting of much more assumptions than the market approach and the asset approach, and not all the assumptions can be easily quantified or ascertained and, to our view, involves degree of uncertainties which might induce material variation to the result of the valuation. Since market approach is considered the most straightforward valuation method in determining market value of assets, which values a business entity by comparison of the prices at which other similar business nature companies or interests, we concur with the view of the Valuer that the market approach valuation is preferable to the income method.

In view of the nature of business operations of the V. Success Group, the Valuer is of the view that the P/B Ratio is considered not appropriate for this valuation on the ground that the V. Success Group, which is not an asset holding company, has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. Although the non-current assets of the V. Success Group were approximately HK$516.2 million as at 31 July 2017, representing approximately 63.1% of the total assets of the V. Success Group of approximately HK$817.6 million, all of the non-current assets were plant and machinery or property used for production, which are not classified as investment property. Therefore, we concur with the view of the Valuer that the P/B Ratio was not the most appropriate method for valuing the V. Success Group. The V. Success Group's specific advantages are not captured in such ratio. The Valuer is also of the view that the price-to-revenue ratio is also considered not appropriate for this valuation since revenues may not consider the cost structure and profitability (which are considered primary factors affecting the value of a company of the same kind). As a result, the Valuer is of the view, and we agreed that the most preferable valuation multiple for valuing equity value is price-to-earnings ratio (the "**P/E Ratio**"). P/E Ratio is an appropriate valuation multiple for the valuation of the equity interest because it measures the amount an investor, or a shareholder, is paying for a dollar of earnings.

We also noted from the Board Letter and our calculation that the Consideration represented a P/B Ratio of approximately 10.0 times on the net asset value of the V. Success Group of approximately HK$55.2 million as at 31 July 2017. Taking into account the loan capitalisation of HK$100 million, which is one of the condition precedent of the Acquisition, the net asset value of V. Success Group would increase to approximately HK$155.2 million. The P/B Ratio represented by the Consideration would significantly reduce to approximately 3.5 times, which is within the range of P/B Ratio of the 5 comparable companies selected by the Valuer in the Valuation Report, with a maximum P/B Ratio of approximately 4.92 times and a minimum P/B Ratio of approximately 1.28 times.

The net profit of the V. Success Group for the trailing twelve-months ended 30 June 2017 would be approximately HK$54.7 million. We noticed from the Valuation Report that the applicable P/E Ratio of approximately 11.89, which was arrived at the average of the P/E Ratio of the selected comparable companies based on their respective latest financial information. The implied market capitalisation value would be approximately HK$650.0 million. As noted from the Valuation Report, the Valuer has selected five comparable companies with similar business exposure of the V. Success Group. According to the Valuation Report, these five comparable companies were selected by the Valuer based on the following selection criteria: (i) the comparable companies derive over 70% of their revenues from trading and manufacturing of knitwear, footwear or shoes products in the latest full financial year; (ii) the comparable companies are listed in Hong Kong; (iii) the comparable companies have sufficient operating histories; (iv) the financial information of the comparable companies is available to the public; and (v) the P/E Ratio of the comparable companies as at the date of the valuation are available.

Having considered that (i) the five comparable companies are with similar business exposure of the V. Success Group; (ii) the recent financial statements of the five comparable companies we have reviewed; and (iii) the result of the independent research to confirm the five comparable companies we have also conducted, we consider that all the comparable companies fulfill the aforementioned selection criteria and together is an exhaustive list and are therefore of the view that the five comparable companies are fair and representative samples based on the above selection criteria and hence are satisfied with the results of the Valuer in identifying the five comparable companies that are sufficiently comparable to V. Success.

We also noticed from the Valuation Report that certain adjustments have been made on the comparable companies. The trailing twelve-month profit and the P/E Ratio were adjusted with the adjusted trailing twelve-month profit which was calculated by eliminating after tax impact of the profit or loss arising from one-off items and thus the adjusted P/E Ratio was calculated based on the adjusted trailing twelve-month profit. The objective of the normalisation process is to remove the one-off, non-operating or non-recurring items from the reported earnings, so as to ensure the normalised P/E Ratio adopted only taking into account the operating earnings of all comparable companies. The Valuer is of the view, and we concur that, the normalised P/E Ratio can better reflect the real earnings capability of each comparable company from the operating perspective than simply the P/E Ratio of the comparable companies and the V. Success Group, and is hence considered as a fair and representative valuation multiple.

A control premium of approximately 19.3% was added to the implied market capitalisation value to reflect the fact that the V. Success Group was wholly controlled by the Group after the Completion. We noted that the assigned control premium by the Valuer was made reference to the data on acquisition transactions in the manufacturing industry (Textile Mill Products and Apparel) extracted from FactSet Mergerstat Control Premium Study which published in 2nd Quarter 2017 (the "**Mergerstat Control Premium**"). With reference to the Mergerstat Control Premium Study which is a study examining transactions whereby 50.01% or more of a company was acquired, we concur with the Valuer that the control premium is appropriate as the V. Success Group is a manufacturing company and the Group will acquire more than 50.01% of the equity interest of the V. Success Group.

A discount for lack of marketability of approximately 15.3% was subtracted to the implied market capitalisation value after control premium to reflect the fact that the equity interest of V. Success Group was not publicly traded. We noted that the assigned discount for lack of marketability by the Valuer was made by applying an option pricing model to estimate the marketability discount. Due to the low liquidity of non-listed companies, we concur with the Valuer to estimate the discount for lack of marketability by assessing additional cost to the investor for investing in non-listed shares with liquidity comparable with listed shares.

We noted from the Board Letter that, the Directors concurred with the Valuer that due to the significant growth of the V. Success Group, the adoption of the trailing period of twelve months ended 30 June 2017, though unaudited, would better reflect the performance of the V. Success Group than either the audited results for the year ended 31 March 2017 and the four months period ended 31 July 2017. We have also discussed with the Directors, and noticed that the Directors noted and confirmed with the Valuer that the source of the financial information during the trailing period was exactly the same as those provided by the V. Success Group to the Company's reporting accountants in preparing the audited financial information of the V. Success Group for the year ended 31 March 2017 and the four months ended 31 July 2017 and, after reviewing, noted no material difference in the two sets of financial information provided to the Company's reporting accountant and to the Valuer respectively; and that the Directors have communicated the basis of such review to the Valuer and the Valuer concurred with the Director's view.

We noted that from the accountants' report on historical financial information of the V. Success Group as set out in appendix II that, the net profit of the V. Success Group for the year ended 31 March 2017 was approximately HK$32.9 million, as compared to the net loss of the V. Success Group of approximately HK$20.2 million for the year ended 31 March 2016. The net profit of the V. Success Group for the four months ended 31 July 2017 was approximately HK$25.4 million, representing approximately 77.3% of the profit of the V. Success Group for the year ended 31 March 2017. We therefore concur with the Director's view that the trailing period of twelve months, though unaudited, would better reflect the recent performance of the V. Success Group than either the audited results for the year ended 31 March 2017 and the four months ended 31 July 2017.

After reviewing the Valuation Report and discussing with the Valuer, we are of the view that the market approach on the P/E Ratio is the most appropriate valuation approach in this case and taking into account of the control premium, the discount for lack of marketability and the rationale of adopting the trading twelve-months ended 30 June 2017 of the V. Success Group, the valuation is fair and reasonable to reflect the value of the V. Success Group.

(ii) Valuation assumptions

The valuation of the equity interest of the 100% equity interest of V. Success was based on the underlying assumptions, including: (i) no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the V. Success Group; (ii) the conditions in which the business is being operated and which are material to revenue and costs of businesses will remain unchanged; (iii) the information has been prepared on a reasonable basis after due and careful consideration by the management of the Company; (iv) the competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the V. Success Group; (v) all licenses and permits that is essential for the operation of the V. Success Group can be obtained and are renewable upon expiry; and (vi) there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value.

(iii) Valuer's competence

We have reviewed the qualifications and working experiences of Mr. Vincent Cheung, a deputy managing director of the Valuer who has over 19 years' experience in real estate industry and assets valuations sector, and Mr. Freddie Chan, a senior associate director of the Valuer who has 8 years' experience in banking, finance, corporate advisory and valuation experiences, both of who are responsible for the signing of the Valuation Report. According to the Valuer, they have extensive experience in handling valuation matters including business valuation. Furthermore, we noticed from publicly available documents that the Valuer has substantial experience in providing valuation services to listed companies. Hence, we believe that the Valuer has sufficient and appropriate experience and competency to perform the valuation.

As set out in the paragraph "Basis of our opinion and recommendation" above, we are of the view that (i) the Valuer is independent from the Company and has sufficient and appropriate experience and competence to perform the valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair, reasonable and complete in relation to the Valuation Report. Based on the above, we are of the view that the valuation of the equity interest of the V. Success is fair and reasonable.

(E) Principal terms of the Share Transfer Agreement

To assess the fairness and reasonableness of the Acquisition, we have reviewed the Share Transfer Agreement and considered, among others, the following terms of the Share Transfer Agreement.

(i) Conditions precedent and undertakings of Profit Guarantee

Please refer to the section "The Share Transfer Agreement" in the Board Letter for details of the conditions precedent under the Share Transfer Agreement. We note that the conditions precedent set out therein are normal commercial terms and consider them to be fair and reasonable.

We noticed that the capitalisation of the loan in the amount of HK$100 million advanced by the Vendor to V. Success is one of the conditions precedent of the Share Transfer Agreement. The capitalisation of the loan would lead to the reduction in liabilities and the increase in equity of the V. Success Group. No cash outflow effect on the books of the V. Success Group will be recognised. The reduction in liabilities would reduce the possible cash outflow to be paid by the Group upon Completion. Furthermore, the capitalisation of the loan would not affect the valuation of the equity interest of the V. Success as the Valuer used P/E ratio as the valuation multiple.

We also noted that the Profit Guarantee is offered by the Vendor. The Profit Guarantee of the Vendor in relation to the consolidated net profits (after tax), in particular, if the consolidated net profits (after tax) of the V. Success Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial year ending 31 March 2018 is less than HK$66 million, the Vendor shall pay the Purchaser a compensation equivalent to 8.33 times of the shortfall amount no later than 30 September 2018.

In this regard, we consider that the conditions precedent and the Profit Guarantee arrangement caps the investment amount to be paid by the Group and thereby limits the risk exposure of the Group, and that the relevant terms are in the interests of the Company and the Independent Shareholders as a whole.

The determination of the HK$66 million Profit Guarantee was mainly based on (i) the significant growth of the revenue, gross profit and net profit for each of the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 respectively and (ii) the execution of sales orders for the four months ended 31 July 2017 and the outstanding sales orders on hand as at 31 July 2017. We have further reviewed (i) the sales orders of the V. Success Group for the six months ended 30 September 2017 and the total revenue secured by the V. Success Group from 31 March 2017 up to the Latest Practicable Date and (ii) the audited financial statements of the V. Success Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 respectively, and noted for the period commencing from the year ended 31 March 2016 to the year ended 31 March 2017, the revenue, gross profit and net profit all had significant growth (for details, please refer to Appendix II and IV to the Circular) noted that the Profit Guarantee represented approximately 100% increase as compared with profit after tax of the V. Success Group for the year ended 31 March 2017. Taking into consideration that (i) profit for the four months ended 31 July 2017 already represented approximately 78.7% of profit for the year ended 31 March 2017; (ii) the management account for the six months ended 30 September 2017; and (iii) the sales orders secured as at the Latest Practicable Date by the V. Success Group as mentioned above, we concur with the Directors' view that the Profit Guarantee was fair and reasonable and would be achievable.

(ii) Consideration

As set out in the Board Letter, the Consideration of HK$550 million was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the Valuation of the Sale Shares of approximately HK$656.5 million prepared by the Valuer; (ii) the Profit Guarantee; (iii) the historical profitability and growth of the V. Success Group; (iv) the net asset value of V. Success (including the capitalisation of the loan in the amount of HK$100 million advanced by the Vendor to the V. Success Group); and (v) the flyknit technique possessed by the V. Success Group. The Consideration of HK$550 million represented approximately 83.8% of the valuation of the equity interest of V. Success of approximately HK$656.5 million.

We noted from the Board Letter that the Board had considered (i) the Consideration represents a discount of approximately 16.2% to the Valuation; (ii) the implied price to earnings ratio of 8.33 times as indicated by the Profit Guarantee which is lower than that of the Company as at the date of the Announcement; (iii) the historical profitability of the V. Success Group (representing the implied price to earnings ratio of 16.72 times based on the net profit after tax of HK$32.9 million for the year ended 31 March 2017); and (iv) the significant growth of the V. Success Group (achieving a net profit before tax of HK$25.4 million for the four months ended 31 July 2017 when compared to that of HK$1.4 million for the four months ended 31 July 2016).

The Consideration was determined by the Company and the Vendor after arm's length negotiation. We concur with the Directors' view that it is commercially sensible to either settle the loan to a director of the V. Success Group by the Vendor before the Completion (as in this case) or assign the loan to a director as part of the Consideration on a dollar-to-dollar basis. Neither of the scenarios would induce any impact on the net asset value of the V. Success Group and the Company as the Company would have either acquired a company with less cash and less liabilities or a company with the loan to a director which requires a cash outflow for the repayment of such loan after the Completion.

In assessing the overall Consideration, we (i) considered that P/B Ratio is not appropriate for this valuation since V. Success Group is not an asset holding company which has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. The P/B Ratio of the V. Success Group (taken into consideration of the loan capitalisation) was also within the range of the comparable companies. The price-to-revenue ratio was also considered not appropriate for the Valuation since revenue may not consider the cost structure and profitability, we concur with the Valuer that the P/E Ratio would be the most representative and appropriate valuation multiple for the valuation of equity interest; (ii) conducted independent research to confirm the five comparable companies to be fair and representative samples and together is an exhaustive list in the Valuation Report; (iii) have further performed re-calculation to assure the accuracy of the P/E Ratio of each comparable; (iv) reviewed and further discussed with the Valuer for certain adjustments made on the valuation such as the control premium and discount for lack of marketability and concur with the Valuer's approach of applying the adjustments to provide a fair and reasonable valuation to reflect the value of the V. Success Group; (v) reviewed the accountants' report on historical financial information of the V. Success Group and noted that the net profit of the V. Success Group for the four months ended 31 July 2017 of approximately HK$25.4 million represented approximately 38.5% of the profit guarantee of HK$66 million, the management account for the six months ended 30 September 2017 and noted that the monthly revenue of the V. Success Group for August and September 2017 had reached over HK$50 million respectively and the total revenue secured and to be secured by the V. Success Group will be over HK$300 million from 31 March 2017 up to the Latest Practicable Date, the sales orders of V. Success Group as at 30 September 2017, and discussed with the management of the Company regarding the prospect of the business of the V. Success Group and concur with the Directors' view that the Profit Guarantee was fair and reasonable and would be achievable.

Taking into consideration the fair value of Sale Shares was approximately HK$656.5 million as stated in the Valuation Report, the repayment of part of the loan from a director of the V. Success Group would not affect the net asset value of the V. Success Group and the Consideration was lower than the preliminary valuation, we considered that the valuation of the Sale Share is fair and reasonable, and the Consideration is in the interests of the Company and the Independent Shareholders as a whole and the basis thereof are fair and reasonable.

(iii) Settlement method

The Consideration of HK$550 million is payable to the Vendor at Completion in the following manner:

— HK$344 million shall be settled by way of allotment and issue of the Consideration Shares by the Company to the Vendor at the Issue Price; and

— the remaining Consideration not satisfied by the allotment and issue of the Consideration Shares shall be paid in cash.

After enquiring the management of the Company, we understood that the Directors considered the settlement of the Consideration by way of both cash payment and allotment and issue of Consideration Shares will lead to a better alignment of interests between the Group and Vendor in the Acquisition and is in the interest of the Company and the Shareholders as a whole. Regarding the settlement method, we are of the view that it is fair and reasonable, taken into consideration of the Issue Price (as explained below) and the Valuation Report.

(iv) Consideration Shares

Evaluation of the Issue Price

Pursuant to the Share Transfer Agreement, the Consideration Shares to be allotted and issued shall be 200,000,000 Shares, representing approximately 9.63% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares upon Completion. The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue including voting right, and the right to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue.

The Issue Price of HK$1.72 per Consideration Share represents:

(a) no discount or premium to or over the closing price of HK$1.72 per Share as quoted on the Stock Exchange on 28 September 2017, being the date of the Share Transfer Agreement;

(b) a premium of approximately 6.2% to the average closing price of approximately HK$1.62 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Transfer Agreement;

(c) a premium of approximately 4.2% to the average closing price of approximately HK$1.65 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Share Transfer Agreement;

(d) a premium of approximately 6.8% to the average closing price of approximately HK$1.61 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Share Transfer Agreement;

(e) a premium of approximately 13.2% to the average closing price of approximately HK$1.52 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the date of the Share Transfer Agreement;

(f) a premium of approximately 126.3% over the audited net asset value per Share as at 31 March 2017 of approximately HK$0.76 calculated based on the Group's audited consolidated net asset value of approximately HK$1,569,996,000 and 2,075,000,000 Shares in issue as at 31 March 2017; and

(g) a discount of approximately 19.6% to the closing price of HK$2.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As discussed with the Board, considering the Issue Price represented no discount or premium to or over the Share price as quoted on the date of the Share Transfer Agreement and a premium of approximately 6.2% to the average closing price of approximately HK$1.62 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Transfer Agreement, we are of the view that the Issue Price is fair and reasonable.

To assess the fairness and reasonableness of the Issue Price, we have analysed the Issue Price with reference to (a) historical trading volume of the Shares; (b) historical Share prices; and (c) the market comparable analysis, as set out below:

(a) Historical trading volume

Set out in the table below are the monthly trading volumes of the Shares and the percentages of such monthly trading volumes to the issued share capital of the Company during a period commencing from 1 October 2016 up to and including the Last Trading Day (the "**Review Period**").

	Monthly trading volume of the Shares *(Note 1)*	**% of issued Share capital of the Company** *(Note 2)*	**% of public float of the Company** *(Note 3)*
2016			
October	82,950,000	4.0%	14.4%
November	148,256,000	7.1%	25.8%
December	79,446,000	3.8%	13.8%
2017			
January	26,578,000	1.3%	4.6%
February	25,413,000	1.2%	4.4%
March	45,320,000	2.2%	7.9%
April	16,570,000	0.8%	2.9%
May	20,890,000	1.0%	3.6%
June	51,036,000	2.5%	8.9%
July	19,701,500	0.9%	3.4%
August	14,398,000	0.7%	2.5%
September (up to and including the Last Trading Day)	67,518,000	3.3%	11.7%

Notes:

1. Source: HKEx website

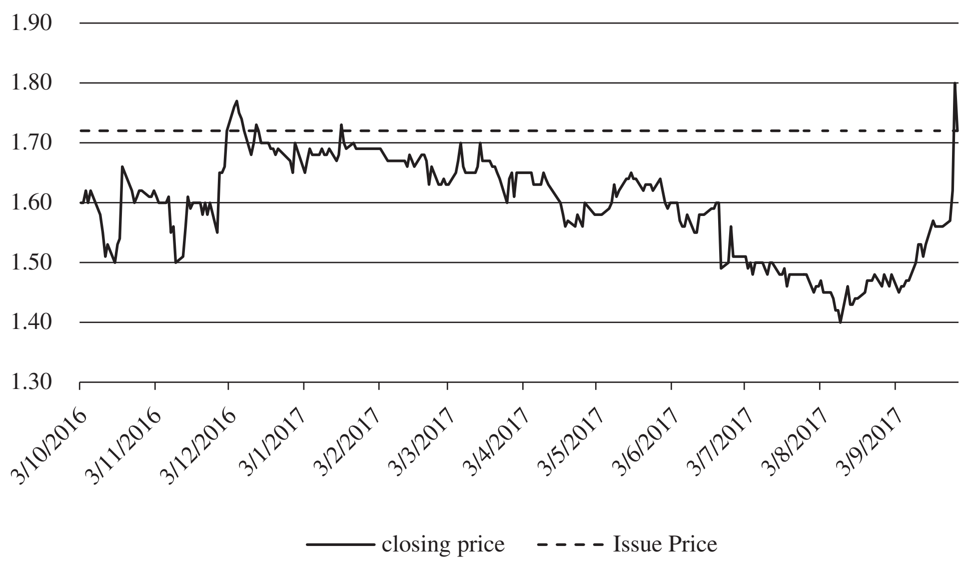
2. The calculation is based on the total monthly trading volume of the Shares divided by the total issued share capital of the Company as at the date of the Share Transfer Agreement.

3. The calculation is based on the total monthly trading volume of the Shares divided by the total issued Shares held by public Shareholders as at date of the Share Transfer Agreement.

As illustrated in the table above, during the Review Period, the monthly trading volume of the Shares ranged between 14,398,000 Shares and 148,256,000 Shares with an average of approximately 49,839,708 Shares. The percentage of total monthly trading volume of the Shares during the Review Period ranged from approximately 0.7% to approximately 7.1% of the total number of Shares in issue as at the date of the Share Transfer Agreement, with an average of approximately 2.4%. The percentage of total monthly trading volume of the Shares during the Review Period ranged from approximately 2.5% to approximately 25.8% of the total number of Shares held by the public Shareholders, with an average of approximately 8.7%. We noted that the trading of Shares appeared to be active during the Review Period.

(b) Historical Share prices

We have reviewed the Share price performance during the Review Period. We consider that the Review Period is adequate to illustrate the Share price performance for conducting a reasonable comparison between the closing price of the Shares and the Issue Price. The chart below illustrates the daily closing price per Share for the Review Period.



Source: HKEx website

During the Review Period, the closing prices of the Share were between HK$1.40 per Share and HK$1.80 per Share, with an average closing Share price of approximately HK$1.59 per Share. The Issue Price of HK$1.72 represented (i) a premium of approximately 22.9% to the lowest closing price per Share; (ii) a premium of approximately 8.2% to average closing price per Share; and (iii) a discount of approximately 4.4% to the highest closing price per Share.

As the Issue Price is within the range of the closing Share prices and is above the average closing price during the Review Period, we are of the view that the Issue Price is fair and reasonable.

(c) Comparable issues

In assessing the reasonableness of the terms of the issue of Consideration Shares, we have based on the information available from the Stock Exchange's website and identified, to the best of our knowledge, an exhaustive list of eleven transactions announced by companies listed on the Stock Exchange one month prior to and including the date of the Share Transfer Agreement (the "**Comparables**"). For the purpose of our analysis, the basis of our selection of the Comparables is as follows: (i) the transaction was an acquisition for an asset or a company (excepted contribution to a joint operation or a joint venture); and (ii) the acquisition was fully or partly settled by the issue of shares as consideration. We consider that the selection of comparable companies within an approximately one-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the issue of the Consideration Shares were determined.

Taking into account that the terms of the Comparables were determined under similar market conditions and sentiments as the issue of the Consideration Shares, we consider that the Comparables may reflect the recent market trend of transactions, which is also an acquisition involving issuance of shares as full or partial settlement of consideration. Furthermore, we noted that the issue size of the Comparables and the issue size of the Acquisition (representing approximately 9.63% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares) was different, the dilution effect of transactions of the Comparables and the Company were justified by their respective benefits of transactions, and therefore, we do not consider that the difference in their respective issue sizes should be used as one of the criterion in that selecting comparable companies. As such, we consider the Comparables are fair and representative samples for comparison.

It should be noted that all the companies involved in the Comparables may have different issue size, principal activities, market capitalisation, profitability, and financial position as compared with those of the Company. Circumstances leading the Comparables companies to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Issue Price.

Date of announcement	Company	Stock code	Issue price	Premium/(discount) of issue price over/(to) the closing price of	
				the date of respective sale and purchase agreement or last trading day	the last five trading days up to and including the date of respective sale and purchase agreement or last trading day
			HK$		
27/09/2017	ZH International Holdings Limited	0185	0.2230	9.3%	8.4%
21/09/2017	China Greenland Broad Greenstate Group Company Limited	1253	1.6120	6.8%	2.8%
19/09/2017	AVIC International Holding (HK) Limited	0232	0.3700	1.4%	2.8%
18/09/2017	SDM Group Holdings Limited	8363	0.4000	3.9%	4.4%
17/09/2017	Lisi Group (Holdings) Limited	0526	1.0000	–13.0%	–3.1%
15/09/2017	Sino Haijing Holdings Limited	1106	0.1560	–19.6%	–20.6%
15/09/2017	Tianyun International Holdings Limited	6836	1.2800	25.0%	25.0%
14/09/2017	Starlight Culture Entertainment Group Limited	1159	4.5000	–2.2%	–4.0%
08/09/2017	Artgo Holdings Limited	3313	0.7700	–18.9%	–19.8%
07/09/2017	China Soft Power Technology Holdings Limited	0139	0.1020	–15.0%	–20.4%

Date of announcement	Company	Stock code	Issue price	Premium/(discount) of issue price over/(to) the closing price of the date of respective sale and purchase agreement or last trading day	the last five trading days up to and including the date of respective sale and purchase agreement or last trading day
			HK$		
01/09/2017	China Soft Power Technology Holdings Limited	0139	0.1080	–15.0%	–5.4%
			Maximum	25.0%	25.0%
			Minimum	–19.6%	–20.6%
			Average	–3.4%	–2.7%
	The Company		1.7200	0.0%	4.2%

As shown in the above table of the Comparables, the issue prices of all of the Comparables to (i) the relevant closing price on the date of the respective sale and purchase agreement or last trading day ranged from a premium of approximately 25.0% to a discount of approximately 19.6%, with an average discount of approximately 3.4%; (ii) the last five trading days closing prices up to and including the date of respective sale and purchase agreement or last trading day ranged from a premium of approximately 25.0% to a discount of approximately 20.6%, with an average discount of approximately 2.7%. We note that the Issue Price of HK$1.72 represents no discount or premium to or over the closing price of the Shares on the date of the Share Transfer Agreement and a premium of approximately 4.2% over the average closing price of the Shares in the last five trading days up to and including the date of the Share Transfer Agreement, and the Issue Price falls within and above the abovementioned ranges of the Comparables.

After taking into account that (i) the Consideration was based on the Valuation Report; (ii) the trading price of Shares during the Review Period is within a reasonable range from the Issue Price and the trading liquidity during the Review Period is considered adequate; (iii) the premium rate of the Issue Price is within and above the range of the Comparables; and (iv) the Issue Price represented a premium of approximately 126.3% over the audited net asset value per Share as at 31 March 2017, we are of the view that the terms of the Acquisition and transactions contemplated thereunder are on normal commercial terms and, fair and reasonable, and in the interests of the Group and the Independent Shareholders as a whole.

(v) Effect of dilution on public Shareholders

When allotted and issued at Completion, the Consideration Shares will represent approximately:

(a) 9.63% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(b) 8.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The effect of the allotment and issue of the Consideration Shares on the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion (assuming that there are no other changes in the issued share capital of the Company from the Latest Practicable Date up to and immediately prior to the Completion) are as follows:

	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wong *(Note 1 and Note 2)*	1,500,000,000	72.2%	1,700,000,000	74.7%
Public Shareholders	576,884,000	27.8%	576,884,000	25.3%
Total	2,076,884,000	100.00%	2,276,884,000	100.00%

Notes:

1. Mr. Wong is the chairman, chief executive officer, an executive Director of the Company.

2. Mr. Wong has a beneficial interest in options granted to him on 29 August 2016 under the share option scheme adopted by the Company on 29 January 2016 and which, if exercised in full, would result in the issue to him of 1,500,000 Shares.

3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As illustrated in the above shareholding table, upon Completion, a total of 200,000,000 Shares will be allotted and issued by the Company to Mr. Wong pursuant to the Share Transfer Agreement as payment for part of the Consideration. As a result, the aggregate shareholding of the public Shareholders will then be diluted from approximately 27.8% to approximately 25.3%, representing a dilution of approximately 2.5%.

We noted that the above-mentioned action will result in a dilution effect for the public Shareholders. Nonetheless taking into account (i) the benefits of the Acquisition as disclosed under the section headed "Reasons for and benefits for the Acquisition" above; (ii) the advantages of the settlement method and arrangement as elaborated under the sub-sections headed "Consideration" and "Settlement Method" under section "Principal terms of the Share Transfer Agreement" in this letter; and (iii) the potential positive financial impact to the Group and its Shareholders as a result of the Acquisition, in particular in the total assets of the Group, we are of the view that the potential benefits and positive effects arising from the Acquisition outweigh the dilution effect to the Independent Shareholders. We are therefore of the view that the level of dilution is acceptable and fair and reasonable.

(vi) Our view

Based on the above discussion and having considered the above reasons and analysis, we are of the view that the Acquisition is on normal commercial term, the terms of the Acquisition are fair and reasonable, and are in the interest of the Company and the Independent Shareholders as a whole.

(F) Potential financial effects as a result of the Acquisition on the Group

(i) Effect on assets and liabilities

The unaudited pro forma financial information of the Group is set out in Appendix III to this circular, which illustrates the financial effects of the Acquisition by assuming the Completion has taken place on 31 March 2017. Based on the unaudited pro forma financial information of the Group, the total assets of the Group would increase by approximately 37.9% from approximately HK$2,732.1 million to approximately HK$3,766.2 million and its total liabilities would increase by approximately 60.8% from approximately HK$1,162.1 million to approximately HK$1,869.1 million. The net asset of the Group would increase by approximately 20.8% from approximately HK$1,570.0 million to approximately HK$1,897.1 million.

(ii) Effect on earnings

Upon Completion, V. Success Group would become a wholly-owned subsidiary of the Group and the financial performance of which would be included in the consolidated financial statements of the Group.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the opinion that (i) the Acquisition was entered into in the interests of the Company and the Shareholders as a whole; (ii) the Acquisition is in the ordinary and usual course of the Company's business; and (iii) the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1(dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION

Details of the financial information of the Group for the year ended 31 March 2015 are disclosed in the prospectus of the Company published on 30 March 2016 (pages I-4 to I-67), and the financial information of the Group for each of the two years ended 31 March 2016 and 2017 are disclosed in the annual report of the Company for the year ended 31 March 2016 published on 29 July 2016 (pages 52 to 115) and the annual report of the Company for the year ended 31 March 2017 published on 27 July 2017 (pages 89 to 155), respectively, all of which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.namesonholdings.com/).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Enlarged Group was as follows:

The Group

As at 30 September 2017, the Group had a total indebtedness of approximately HK$1,162.4 million, representing interest-bearing bank borrowings of approximately HK$956.5 million and interest-bearing obligations under finance leases of approximately HK$205.9 million. The weighted average interest rates of the Group's bank borrowings and finance lease obligations for the six months ended 30 September 2017 was 1.7% and 1.7% per annum respectively.

The Group's borrowings of the Group as at 30 September 2017, for the purpose of calculating its indebtedness, were as follows:

	HK$'000
Non-current	
Bank borrowings, unsecured	301,389
Finance lease obligations	83,502
	384,891
Current	
Short-term bank borrowings, unsecured	349,412
Portion of long-term bank borrowings, secured, due for repayment within one year	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	8,126
Portion of long-term bank borrowings, unsecured, due for repayment within one year	134,111
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	156,000
Finance lease obligations	122,366
	777,516
Total borrowings	1,162,407

Save for the bank borrowing secured by key management insurance with carrying amount of HK$69.8 million and the bank facilities secured by (i) land with carrying amount of HK$15.9 million; and (ii) land and buildings and leasehold improvements with carrying amounts of HK$237.6 million as at 30 September 2017, the Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 30 September 2017, being the latest practicable date for the Group's indebtedness statement. The Group's unutilised bank facilities as at 30 September 2017 was approximately HK$1,476.8 million.

Since 30 September 2017 and up to the Latest Practicable Date, there has not been any material adverse change in the Group's indebtedness and contingent liabilities. The Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. The Directors confirm that the Company does not have any external financing plans as at 30 September 2017.

The V. Success Group

Borrowings

As at close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement, the V. Success Group had outstanding indebtedness of approximately HK$651 million. The outstanding indebtedness comprised (i) bank borrowings of approximately HK$245 million; (ii) finance leases obligations of approximately HK$306 million; and loan from the sole director of V. Success of approximately HK$100 million. The weighted average interest rates of the V. Success Group's bank borrowings and finance lease obligations for the six months ended 30 September 2017 were 1.8% and 1.7% per annum respectively.

Securities

The aforesaid bank borrowings of approximately HK$245 million were secured by personal guarantee executed by the sole director of V. Success (i.e. the Vendor). For more details, please refer to the section headed *"The Share Transfer Agreement — The personal guarantees provided by the Vendor"* in the "Letter from the Board". Regarding the aforesaid finance lease obligations, it is the V. Success Group's policy to lease certain of its plant and machinery under finance leases. The lease term is 3–4 years.

Contingent liabilities

As at close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement, the V. Success Group had no other material contingent liabilities outstanding, except for capital commitments for property, plant and equipment of HK$15 million and lease commitments of HK$4 million.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 30 September 2017, the V. Success Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing as at close of business on 30 September 2017.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into accounts of the financial resources, including internally generated funds and presently available banking facilities following the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest audited financial statement of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the manufacture of knitwear products.

As disclosed in the annual report of the Company for the year ended 31 March 2017 published on 27 July 2017, due to the market demand for knitwear would remain huge and steady, the Group will keep strengthening its existing business by securing more customer orders and enlarging its customer base. The Directors believe that these could be achieved given the relatively lower production costs of its factory in Vietnam, its reputation of quality products in the industry, and its continuous efforts in negotiating with various renowned international apparel brands.

While the Group will continue to strive to be a leading knitwear manufacturer in the industry, it has also been continuously exploring potential opportunities to diversify and widen its existing business scope for a broader revenue base and better returns to our Shareholders in the long term. The Acquisition, which enables the Group to diversify its products and in the medium to long term, is in line with this strategic direction. The Directors are optimistic about the prospects of the footwear business and its existing knitwear business given both are high demand fashion items.

The following is the text of a report set out on pages II-1 to II-43, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

24 November 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NAMESON HOLDINGS LIMITED

Introduction

We report on the historical financial information of V. Success Limited (''保麗信有限公司'') (the ''Target Company'') and its subsidiaries (hereinafter collectively referred to as the ''Target Group'') set out on pages II-4 to II-43, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 and the statements of financial position of the Target Company as at 31 March 2017 and 31 July 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the ''Relevant 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 II-4 to II-43 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Nameson Holdings Limited (the ''Company'') dated 24 November 2017 (the ''Investment Circular'') in connection with the proposed acquisition of the entire equity interest in the Target Company (the ''Proposed Acquisition'').

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 preparation and presentation set out in note 2 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 accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 March 2017 and 31 July 2017 and the financial position of the Target Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 and of its financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Target Group recorded net cash outflow from operating activities of HK$27,118,000 for the four months period ended 31 July 2017 and, as of that date, the Target Group's current liabilities exceeded its current assets by HK$46,260,000. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the four months ended 31 July 2016 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE MAIN BOARD LISTING RULES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

24 November 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The sole director of the Target Company has prepared the financial statements for the Relevant Period (the ''Underlying Financial Statements'') in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA. The Underlying Financial Statements for the Relevant Period were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Historical Financial Information has been prepared by the directors of the Company for inclusion in the Investment Circular in connection with the Proposed Acquisition based on the Underlying Financial Statements.

The Historical Financial Information is presented in HK dollars (''HK$'') and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Four months ended 31 July	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*7*	—	12,114	137,851	27,303	125,833
Cost of sales		(3)	(18,485)	(67,127)	(18,362)	(70,730)
Gross (loss)/profit		(3)	(6,371)	70,724	8,941	55,103
Other income	*8*	—	6	27	25	426
Other gains/(losses)	*9*	—	11	468	(14)	(605)
Selling and distribution expenses		—	(54)	(2,261)	(505)	(1,357)
General and administrative expenses		(164)	(13,534)	(29,748)	(6,827)	(19,960)
(Loss)/profit from operations		(167)	(19,942)	39,210	1,620	33,607
Finance income		—	25	24	2	33
Finance expenses		—	(229)	(1,431)	(134)	(2,375)
Finance expenses, net	*11*	—	(204)	(1,407)	(132)	(2,342)
(Loss)/profit before tax		(167)	(20,146)	37,803	1,488	31,265
Income tax expenses	*12*	—	(60)	(4,903)	(118)	(5,846)
(Loss)/profit for the year/period	*13*	(167)	(20,206)	32,900	1,370	25,419
Other comprehensive income						
Item that may be reclassified to profit or loss:						
Exchange differences on translating foreign operations		26	(1,877)	(4,608)	(1,275)	23,835
Other comprehensive income for the year/period, net of tax		26	(1,877)	(4,608)	(1,275)	23,835
Total comprehensive income for the year/period		(141)	(22,083)	28,292	95	49,254

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 July
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*16*	—	76,824	330,835	516,154
Current assets					
Inventories	*18*	—	1,199	12,509	34,418
Trade receivables	*19*	—	7,262	36,951	57,310
Prepayments, deposits and other receivables	*20*	68	14,800	51,235	94,914
Bank and cash balances	*21*	3,439	3,909	37,975	114,790
Total current assets		3,507	27,170	138,670	301,432
Current liabilities					
Trade payables	*22*	—	822	9,756	28,182
Accruals and other payables	*23*	62	10,254	39,630	81,032
Due to a director	*24*	3,684	94,850	—	—
Borrowings	*25*	—	5,530	202,661	234,813
Current tax liabilities		—	4	3,980	3,665
Total current liabilities		3,746	111,460	256,027	347,692
Net current liabilities		(239)	(84,290)	(117,357)	(46,260)
Total assets less current liabilities		(239)	(7,466)	213,478	469,894
Non-current liabilities					
Borrowings	*25*	—	14,801	146,901	229,886
Loan from a director	*24*	—	—	60,562	184,744
Deferred tax liabilities	*26*	—	55	44	39
Total non-current liabilities		—	14,856	207,507	414,669
NET (LIABILITIES)/ASSETS		(239)	(22,322)	5,971	55,225
Capital and reserves					
Share capital	*27*	—	—	1	1
Reserves	*28*	(239)	(22,322)	5,970	55,224
(DEFICIENCY IN SHAREHOLDER'S FUND)/ TOTAL EQUITY		(239)	(22,322)	5,971	55,225

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Target Company			
	Share capital	**Foreign currency translation reserve**	**Retained profits/ (accumulated losses)**	**Total**
	HK$'000	*HK$'000* *(Note 28(b))*	*HK$'000*	*HK$'000*
At 1 April 2014	—	—	(98)	(98)
Total comprehensive income for the year	—	26	(167)	(141)
At 31 March 2015 and 1 April 2015	—	26	(265)	(239)
Total comprehensive income for the year	—	(1,877)	(20,206)	(22,083)
At 31 March 2016 and 1 April 2016	—	(1,851)	(20,471)	(22,322)
Issue of shares by the Target Company upon group reorganisation	1	—	—	1
Total comprehensive income for the year	—	(4,608)	32,900	28,292
At 31 March 2017 and 1 April 2017	1	(6,459)	12,429	5,971
Total comprehensive income for the period	—	23,835	25,419	49,254
At 31 July 2017	1	17,376	37,848	55,225
At 1 April 2016	—	(1,851)	(20,471)	(22,322)
Total comprehensive income for the period (unaudited)	—	(1,275)	1,370	95
At 31 July 2016 (unaudited)	—	(3,126)	(19,101)	(22,227)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(167)	(20,146)	37,803	1,488	31,265
Adjustments for:					
Depreciation	—	3,092	8,205	2,554	6,799
Gain on disposals of property, plant and equipment	—	—	(705)	—	(1,730)
Interest income	—	(25)	(24)	(2)	(33)
Finance lease charges	—	229	788	134	1,279
Interest on bank borrowings	—	—	643	—	1,096
Operating (loss)/profit before working capital changes	(167)	(16,850)	46,710	4,174	38,676
Increase in inventories	—	(1,199)	(11,788)	(1,690)	(21,891)
Increase in trade receivables	—	(7,262)	(30,037)	(9,931)	(20,275)
Increase in prepayments, deposits and other receivables	(67)	(14,735)	(32,518)	(8,285)	(20,340)
Increase in trade payables	—	822	9,302	3,654	18,431
Increase/(decrease) in accruals and other payables	48	6,761	6,010	(943)	(13,113)
Increase in amount due to a director	3,600	—	—	—	—
Cash generated from/(used in) operations	3,414	(32,463)	(12,321)	(13,021)	(18,512)
Finance lease charges paid	—	(229)	(788)	(134)	(1,279)
Interest paid on bank borrowings	—	—	(643)	—	(1,096)
Income tax paid	—	—	(964)	—	(6,231)
Net cash generated from/(used in) operating activities	3,414	(32,692)	(14,716)	(13,155)	(27,118)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	—	(56,154)	(71,437)	(14,006)	(70,433)
Proceed from disposal of property, plant and equipment	—	—	—	—	6,810
Interest received	—	25	24	2	33
Net cash used in investing activities	—	(56,129)	(71,413)	(14,004)	(63,590)
CASH FLOWS FROM FINANCING ACTIVITIES *(Note)*					
Issue of share capital	—	—	1	—	—
Bank borrowings raised	—	—	150,000	—	100,000
Repayment of bank borrowings	—	—	—	—	(54,166)
Loan from/(repayment to) a director	—	91,166	(30,746)	40,025	121,805
Repayment of finance lease obligations	—	—	(5,813)	(5,813)	(14,257)
Net cash generated from financing activities	—	91,166	113,442	34,212	153,382
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,414	2,345	27,313	7,053	62,674
Effect of foreign exchange rates changes	25	(1,875)	6,753	190	14,141
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	—	3,439	3,909	3,909	37,975
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	3,439	3,909	37,975	11,152	114,790
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	3,439	3,909	37,975	11,152	114,790

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

Note: Reconciliation of liabilities arising from financing activities

	Bank borrowings	Due to/loan from a director	Finance Lease Obligations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 April 2014, 31 March 2015 and 1 April 2015	—	—	—	—
Cash flows	—	91,166	—	91,166
Non-cash changes:				
— Transfer from amount due to a director	—	3,684	—	3,684
— New finance lease	—	—	20,331	20,331
Balance as at 31 March 2016 and 1 April 2016	—	94,850	20,331	115,181
Cash flows	150,000	(30,746)	(5,813)	113,441
Non-cash changes:				
— Foreign exchange movement	—	(3,542)	—	(3,542)
— New finance lease	—	—	185,044	185,044
Balance as at 31 March 2017 and 1 April 2017	150,000	60,562	199,562	410,124
Cash flows	45,834	121,805	(14,257)	153,382
Non-cash changes:				
— Foreign exchange movement	—	2,377	—	2,377
— New finance lease	—	—	83,560	83,560
Balance as at 31 July 2017	195,834	184,744	268,865	649,443
Balance as at 1 April 2016	—	94,850	20,331	115,181
Cash flows	—	40,025	(5,813)	34,212
Non-cash changes:				
— Foreign exchange movement	—	(1,429)	—	(1,429)
— New finance lease	—	—	16,908	16,908
Balance as at 31 July 2016 (Unaudited)	—	133,446	31,426	164,872

STATEMENTS OF FINANCIAL POSITION

	Note	At as 31 March 2017 HK$'000	At as 31 July 2017 HK$'000
Non-current asset			
Investments in a subsidiary	17	—	1
Current asset			
Due from a subsidiary		—	133,993
Current liability			
Due to a subsidiary		5	—
Net current (liability)/asset		(5)	133,993
Total assets less current liability		(5)	133,994
Non-current liability			
Loan from a director	24	—	134,000
NET LIABILITIES		(5)	(6)
Capital and reserve			
Share capital	27	1	1
Accumulated losses	28	(6)	(7)
DEFICIENCY OF EQUITY		(5)	(6)

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

V. Success Limited (the ''Target Company'') was incorporated in British Virgin Islands with limited liability. The address of its registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is Unit D, 21/F., Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

The Target Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the Historical Financial Information.

In the opinion of the sole director of the Target Company, as at 31 July 2017, Mr. Wong Ting Chung (''Mr. Wong'') is the ultimate controlling party of the Target Company.

2. BASIS OF PREPARATION

The Target Company became holding company of the companies now comprising the Target Group upon completion of following reorganisation exercises (the ''Group Reorganisation'').

(i) On 20 September 2016, the Target Company was incorporated by Mr. Wong for the purpose of holding the equity interests in V. Success (HK) Limited and its subsidiary; and

(ii) On 8 November 2016, the Target Company acquired the entire equity interests in V. Success (HK) Limited and its subsidiary from Mr. Wong.

As the Group Reorganisation involved only the insertion of a new holding company at the top of the existing group and did not result in any change in economic substance in terms of the ownership and control of the Target Group, the Historical Financial Information for the Relevant Period has been prepared as a continuation of the existing group using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Period. The consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 31 July 2017 present the assets and liabilities of the companies now comprising the group as if the current group structure had been in existence at those dates.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Target Group in order to achieve consistency of the Target Group's accounting policies.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). HKFRSs comprise Hong Kong Financial Reporting Standards (''HKFRS''); Hong Kong Accounting Standards (''HKAS''); and Interpretations. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Target Group recorded net cash outflow from operating activities of HK$27,118,000 for the four months period ended 31 July 2017 and had net current liabilities of HK$46,260,000 as at 31 July 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. Therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support from the Controlling Shareholder, Mr. Wong, at a level sufficient to finance the working capital requirements of the Target Group. Mr. Wong has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. Mr. Wong, being also the sole director of the Target Company, is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Target Group be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. Of these, the following new or revised HKFRSs are relevant to the Target Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.

The amendments as mentioned above have no material effect on how the Target Group's results and financial position for the current period have been prepared or presented.

(b) New and revised HKFRSs in issue that are relevant to the Target Group's operations but not yet effective

The Target Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Target Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Target Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. As the Target Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Target Group's trade receivables and other financial assets. The Target Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Target Group is currently assessing the impacts of adopting HKFRS 15 on the Historical Financial Information and is unable to estimate the impact of the new standard on the Historical Financial Information until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Target Group's leases of factories and dormitory are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Target Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Target Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 31 to the Historical Financial Information the Target Group's future minimum lease payments under non-cancellable operating leases amounted to HK$Nil, HK$8,164,000, HK$5,893,000 and HK$3,716,000 respectively as at 31 March 2015, 2016 and 2017 and 31 July 2017. The Target Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiaries made up to 31 March/31 July. Subsidiaries are entities over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

In the Target Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ''functional currency''). The Historical Financial Information is presented in HK$, which is the Target Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

— 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;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvement	20%
Plant and machinery	8.33%–10%
Furniture and fixtures	20%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents plant and equipment pending installation, and is stated at cost less impaired losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

The Target Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statements of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and on appropriate proportion of all production overhead expenditure, and where appropriately subcontracting charges. 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.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade receivables, other receivables and bank and cash balances are classified in this category.

(h) 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 allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in notes (k) to (m) below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

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

(m) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably.

(i) Sales of goods

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Sub-contracting fee income

Sub-contracting fee income is recognised when the subcontracting services are rendered.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits, and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and an associate, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

(r) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(s) Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Target Group assesses them collectively for impairment, based on the Target Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(t) Provisions and contingent liabilities

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

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

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the sole director has made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder at a level sufficient to finance the working capital requirements of the Target Group. Details are explained in note 2 to the Historical Financial Information.

Key sources of estimation uncertainty

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

(a) Depreciation and impairment on property, plant and equipment

The Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The Target Group assesses whether property, plant and equipment have any indication of impairment in accordance with Target Group's accounting policy. The sole director considers that there is no indication of impairment of property, plant and equipment at 31 March 2015, 2016 and 2017 and 31 July 2017.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amounts of property, plant and equipment were HK$Nil, HK$76,824,000, HK$330,835,000 and HK$516,154,000 respectively.

(b) Allowance for trade and other receivables

The Target Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year/period in which such estimate has been changed.

During the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, there were no allowance for trade and other receivables.

(c) Allowance for slow moving inventories

Allowance for slow moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

During the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, there were no allowance for slow-moving inventories.

(d) Income taxes

The Target Group is subject to income taxes in several jurisdictions. Significant estimates are 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.

During the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, HK$Nil, HK$60,000, HK$4,903,000 and HK$5,846,000 of income tax was charged to profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

The Target Group activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"), United States dollars ("US$"), Euro ("EUR"), and Viet Nam Dong ("VND"). The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Target Group is mainly exposed to the fluctuation in RMB, US$ and EUR against HK$, the functional currency of the Target Company.

The following table details the Target Group's sensitivity to a certain percentage increase and decrease in HK$ against the relevant foreign currency. The relevant percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a certain percentage change in foreign currency rates. Below indicates an increase/(decrease) in profit/loss for the year/period where HK$ strengthen a certain percentage against the relevant currency. For a certain percentage weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit/loss for the year/period.

	Functional currency strengthened/ (weakened) by	**Decrease/(increase) in loss for the year** *HK$'000*
Year ended 31 March 2015		
RMB	5%/(5%)	—/—
US$	1%/(1%)	—/—

	Functional currency strengthened/ (weakened) by	**Decrease/(increase) in loss for the year** *HK$'000*
Year ended 31 March 2016		
RMB	5%/(5%)	(168)/168
US$	1%/(1%)	190/(190)

	Functional currency strengthened/ (weakened) by	**Increase/(decrease) in profit for the year** *HK$'000*
Year ended 31 March 2017		
RMB	5%/(5%)	(265)/265
US$	1%/(1%)	1,525/(1,525)

	Functional currency strengthened/ (weakened) by	**Increase/(decrease) in profit for the period** *HK$'000*
Period ended 31 July 2017		
RMB	5%/(5%)	(485)/485
US$	1%/(1%)	1,918/(1,918)
EUR	5%/(5%)	2,008/(2,008)

(b) Credit risk

The Target Group's credit risk is primary attributable to its trade receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to regular review and approval from the management. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. The sole director considers that the Target Group has tight control on the credit term of customers.

The Target Group has significant concentration of credit risk as follows:

		31 March		31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from the Target Group's largest customer	—	100%	28%	20%
Due from the Target Group's five largest customers	—	100%	69%	66%

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Group's bank borrowings and other financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group can be required to pay.

Specifically, for bank borrowings and finance lease payables which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflows based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

The maturity analysis of the Target Group's financial liabilities is as follows:

	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total undiscounted cash flows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Accruals and other payables	62	—	—	62
Due to a director	3,684	—	—	3,684
At 31 March 2016				
Trade payables	822	—	—	822
Accruals and other payables	10,254	—	—	10,254
Due to a director	94,850	—	—	94,850
Finance lease obligations	5,813	5,812	9,300	20,925

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2017				
Trade payables	9,756	—	—	9,756
Accruals and other payables	39,630	—	—	39,630
Bank borrowings	151,291	—	—	151,291
Loan from a director	—	61,592	—	61,592
Finance lease obligations	55,859	54,795	96,398	207,052
At 31 July 2017				
Trade payables	28,182	—	—	28,182
Accruals and other payables	81,032	—	—	81,032
Bank borrowings	168,304	17,639	13,195	199,138
Loan from a director	—	188,070	—	188,070
Finance lease obligations	72,280	76,247	130,076	278,603

(d) Interest rate risk

The Target Group exposed to cash flow interest rate risk in relation to the following variable-rate financial instruments which bear interests at variable rates varied with the then prevailing market condition:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Variable-rate financial assets:				
Bank deposits	2,333	1,765	14,600	8,136
Variables-rate financial liabilities:				
Borrowings	—	—	150,000	195,834

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to financial instruments that would have affected the profit or loss. A change of 10 basis points ("bps") was applied at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

	Increase/(decrease) in post-tax profit or loss	
	Increase in 10 bps	**Decrease in 10 bps**
	HK$'000	*HK$'000*
As at 31 March 2015	2	(2)
As at 31 March 2016	1	(1)
As at 31 March 2017	(114)	114
As at 31 July 2017	(156)	156

(e) Categories of financial instruments of the Target Group at the end of each reporting period

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	3,439	25,034	124,997	252,351
Financial liabilities:				
Financial liabilities measured at amortised cost	3,746	126,257	459,510	758,657

(f) Fair value

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. REVENUE

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales of goods	—	3,490	107,886	18,993	109,221
Sub-contracting fee income	—	8,624	29,965	8,310	16,612
	—	12,114	137,851	27,303	125,833

8. OTHER INCOME

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sundry income	—	6	27	25	426

9. OTHER GAINS/(LOSSES)

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Exchange gains/(losses), net	—	11	(237)	(14)	(2,335)
Gain on disposals of property, plant and equipment	—	—	705	—	1,730
	—	11	468	(14)	(605)

10. SEGMENT INFORMATION

The Target Group has been operating in a single operating segment, i.e. trading and manufacturing of knitted upper for footwear and knitted upper shoes.

Management monitors the operating performance of its business as a whole for the purpose of resources allocation and performance assessment.

The sole director assesses the performance of the operating segment based on a measure of profit before income tax.

(a) Revenue by location of goods delivery

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong	—	8,624	25,579	3,759	25,954
Mainland China	—	3,470	48,964	15,294	30,592
Vietnam	—	18	61,107	8,048	69,201
Others	—	2	2,201	202	86
	—	12,114	137,851	27,303	125,833

(b) Non-current assets

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	—	3,914	37,547	6,869
Mainland China	—	72,910	293,288	393,661
Vietnam	—	—	—	115,624
	—	76,824	330,835	516,154

The non-current asset information above is presented based on the location of the assets.

(c) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Target Group is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	—	—	—	—	27,587
Customer B	—	—	—	—	23,870
Customer C	—	8,624	21,047	3,759	16,612
Customer D	—	—	39,083	7,945	12,703
Customer E	—	—	24,185	6,831	—
Customer F	—	—	—	4,551	—
Customer G	—	2,795	—	3,279	—
	—	11,419	84,315	26,365	80,772

For the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 and 2017, the five largest customers accounted for approximately Nil, 99.9%, 73.2%, 96.6% and 73.8% of revenue respectively.

11. FINANCE EXPENSES, NET

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income from:					
— Bank deposits	—	25	24	2	33
Interest expenses on:					
— Bank borrowings	—	—	(643)	—	(1,096)
— Finance lease obligations	—	(229)	(788)	(134)	(1,279)
	—	(229)	(1,431)	(134)	(2,375)
Finance expenses, net	—	(204)	(1,407)	(132)	(2,342)

12. INCOME TAX EXPENSES

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current income tax					
— Hong Kong	—	5	1,557	122	1,253
— People's Republic of China ("PRC")	—	—	3,357	—	4,598
	—	5	4,914	122	5,851
Deferred tax *(note 26)*	—	55	(11)	(4)	(5)
Total income tax expense	—	60	4,903	118	5,846

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit.

PRC enterprise income tax has been provided at a rate of 25% on the estimated assessable profit.

Vietnam business income tax (the "BIT") has been provided at a rate of 20% since 1 January 2016. According to the investment certificate, the Target Company's subsidiary in Vietnam is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiary in Vietnam since the subsidiary has no assessable profit since incorporation.

The reconciliation between the income tax expense and the (loss)/profit before tax multiplied by the statutory rates applicable for the jurisdictions in which the Target Company and its subsidiaries operate is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before tax	(167)	(20,146)	37,803	1,488	31,265
Tax at the statutory tax rate	(29)	(5,076)	8,653	246	6,014
Tax effect of income that is not taxable	—	(15)	(9,485)	(1,278)	(11,137)
Tax effect of expenses that are not deductible	23	108	9,449	1,150	10,296
Tax effect of utilisation of tax loss not previously recognised	—	—	(3,714)	—	—
Tax effect of tax loss not recognised	6	5,043	—	—	673
Income tax expense	—	60	4,903	118	5,846

13. (LOSS)/PROFIT FOR THE YEAR/PERIOD

The Target Group's (loss)/profit for the year/period is stated after charging the following:

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditors' remuneration	9	16	329	—	5
Cost of inventories sold	—	2,384	25,898	6,567	25,709
Depreciation	—	3,092	8,205	2,554	6,799
Operating lease charges	—	—	1,469	260	1,691

14. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Employee benefits expense (including directors' emoluments):					
— Salaries, bonus and allowance	113	17,410	39,840	10,972	42,518
— Retirement benefits schemes contributions	3	544	1,495	363	1,375
	116	17,954	41,335	11,335	43,893

Five highest paid individuals

During the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 and 2017, the five highest paid individuals in the Target Group during the year/period did not include the sole director. The sole director did not receive any fee or director's emoluments during the Relevant Period. The emoluments of the five highest paid individuals are set out below:

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Basic salaries and allowances	113	2,549	3,927	988	2,273
Discretionary bonus	—	120	260	—	—
Retirement benefits scheme contributions	3	37	62	13	30
	116	2,706	4,249	1,001	2,303

The emoluments fell within the following band:

	Number of individuals				
	Year ended 31 March			Four month ended 31 July	
	2015	2016	2017	2016	2017
				(unaudited)	
Nil to HK$1,000,000	5	4	4	5	5
HK$1,000,001 to HK$2,000,000	—	1	1	—	—
	5	5	5	5	5

15. BENEFITS AND INTERESTS OF SOLE DIRECTOR

(a) Director's emoluments also regarded as key management compensation

The sole director did not receive any fee or director's emoluments in respect of his service rendered to the Target Company for the Relevant Period.

(b) Director's material interests in transactions

Save as disclosed in note 33 to the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Target Group's business to which the Target Company or its subsidiaries was a party and in which the sole director of the Target Company and the director's connected party had a material interest, which directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Plant and machinery *HK$'000*	Construction in progress *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2014, 31 March 2015 and 1 April 2015	—	—	—	—	—	—
Additions	—	76,357	—	2,427	1,132	79,916
At 31 March 2016 and 1 April 2016	—	76,357	—	2,427	1,132	79,916
Additions	1,071	83,915	193,468	2,108	—	280,562
Disposals	—	(5,351)	—	—	—	(5,351)
Exchange difference	(36)	(7,629)	(5,576)	(234)	(35)	(13,510)
At 31 March 2017 and 1 April 2017	1,035	147,292	187,892	4,301	1,097	341,617
Additions	15	112,691	102,607	803	785	216,901
Transfer	—	193,515	(193,515)	—	—	—
Disposals	—	(42,598)	—	—	—	(42,598)
Exchange difference	37	6,916	4,772	152	20	11,897
At 31 July 2017	1,087	417,816	101,756	5,256	1,902	527,817
Accumulated depreciation						
At 1 April 2014, 31 March 2015 and 1 April 2015	—	—	—	—	—	—
Charge for the year	—	2,743	—	203	146	3,092
At 31 March 2016 and 1 April 2016	—	2,743	—	203	146	3,092
Charge for the year	42	7,370	—	580	213	8,205
Disposals	—	(49)	—	—	—	(49)
Exchange difference	(1)	(425)	—	(33)	(7)	(466)
At 31 March 2017 and 1 April 2017	41	9,639	—	750	352	10,782
Charge for the period	71	6,079	—	558	91	6,799
Disposals	—	(6,342)	—	—	—	(6,342)
Exchange difference	3	384	—	32	5	424
At 31 July 2017	115	9,760	—	1,340	448	11,663
Carrying amount						
At 31 July 2017	972	408,056	101,756	3,916	1,454	516,154
At 31 March 2017	994	137,653	187,892	3,551	745	330,835
At 31 March 2016	—	73,614	—	2,224	986	76,824
At 31 March 2015	—	—	—	—	—	—

At 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amounts of plant and machinery held by the Target Group under finance leases amounted to HK$Nil, HK$22,018,000, HK$87,610,000 and HK$394,057,000 respectively.

At 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amounts of construction in progress held by the Target Group under finance leases amounted to HK$Nil, HK$Nil, HK$187,892,000 and HK$Nil respectively.

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of establishment and operation	Issued and paid up capital	Attributable equity interest of the Target Group As at 31 March 2017	As at 31 July 2017	Principal activities
Directly held					
V. Success (HK) Limited	Hong Kong	HK$1 (1 ordinary share)	100%	100%	Trading of shoes and yarn knitting upper and investment holding
Indirectly held					
保麗信(惠州)織造有限公司 (V. Success (HZ) Knitting Limited)	The PRC	HK$128,000,000	100%	100%	Trading and manufacturing of shoes and yarn knitting upper
V. Success (Viet Nam) Knitting Company Limited	Vietnam	US$16,012,424	N/A	100%	Manufacturing of yarn knitting upper

Note: V. Success (HZ) Knitting Limited is a wholly-owned foreign enterprise established in the PRC.

18. INVENTORIES

	As at 31 March 2015	2016	2017	As at 31 July 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	—	138	6,092	16,106
Work in progress	—	783	2,051	13,087
Finished goods	—	278	4,366	5,225
	—	1,199	12,509	34,418

19. TRADE RECEIVABLES

	As at 31 March 2015	2016	2017	As at 31 July 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	7,262	36,951	57,310

The Target Group's trading terms with other customers are mainly on credit. The credit terms generally range from 0 to 60 days.

The aging analysis of trade receivable based on the invoice date is as follows:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	—	2,399	24,313	41,811
31 to 60 days	—	480	7,650	11,075
61 to 90 days	—	2,955	3,368	3,957
Over 90 days	—	1,428	1,620	467
	—	7,262	36,951	57,310

As of 31 March 2015, 2016 and 2017 and 31 July 2017, trade receivables of HK$Nil, HK$1,428,000, HK$11,952,000 and HK$6,752,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	—	—	7,638	2,662
31 to 60 days	—	1,428	3,175	3,623
61 to 90 days	—	—	695	155
Over 90 days	—	—	444	312
	—	1,428	11,952	6,752

The carrying amounts of the Target Group's trade receivables are denominated in the following currencies:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US$	—	21	20,671	23,610
RMB	—	7,241	16,280	33,700
	—	7,262	36,951	57,310

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables comprise the following:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	68	937	1,164	14,663
Deposits	—	26	57	760
Value-added-tax receivables	—	12,683	43,626	55,126
Receivable from disposal of machineries	—	—	6,007	22,761
Other receivables	—	1,154	381	1,604
	68	14,800	51,235	94,914

The carrying amounts of the Target Group's prepayments, deposits and other receivables are denominated in the following currencies:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US$	—	26	6,059	10,151
RMB	68	14,774	45,171	82,740
Others	—	—	5	2,023
	68	14,800	51,235	94,914

21. BANK AND CASH BALANCES

The carrying amounts of the Target Group's bank and cash balances are denominated in the following currencies:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	504	1,235	7,559	73,216
US$	—	593	14,010	21,949
RMB	2,935	2,081	16,406	9,584
VND	—	—	—	10,041
Total	3,439	3,909	37,975	114,790

The bank and cash balances held by the Target Group's subsidiary in the PRC denominated in RMB amounted to HK$2,935,000, HK$2,081,000, HK$16,350,000 and HK$9,332,000 respectively as at 31 March 2015, 2016 and 2017 and 31 July 2017. Conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the foreign exchange control rules and regulations imposed by the PRC government.

22. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date is as follows:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	—	822	9,756	27,349
31 to 60 days	—	—	—	833
	—	822	9,756	28,182

The carrying amounts of the Target Group's trade payables are mainly denominated in RMB.

23. ACCRUALS AND OTHER PAYABLES

Accruals and other payables comprise the following:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued wages	50	1,879	3,693	9,459
Other accrued expenses	12	1,209	2,958	3,970
Other payables for purchase property, plant and equipment	—	3,431	24,081	54,233
Provision for social insurance fund and housing fund	—	3,576	8,370	12,993
Others	—	159	528	377
	62	10,254	39,630	81,032

The carrying amounts of the Target Group's accruals and other payables are denominated in the following currencies:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	62	542	1,525	1,843
US$	—	—	23,746	3,852
RMB	—	9,712	14,023	24,003
EUR	—	—	336	48,117
VDN	—	—	—	3,217
	62	10,254	39,630	81,032

24. DUE TO A DIRECTOR/LOAN FROM A DIRECTOR

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to a director — current	3,684	94,850	—	—
Loan from a director — non current	—	—	60,562	184,744
	3,684	94,850	60,562	184,744

The amount due to Mr. Wong is unsecured, interest free, and repayable on demand.

The loan from Mr. Wong is unsecured, interest-bearing at fixed rate of 1.8% (31 March 2017: 1.7%) and will be repaid on 1 August 2018 (31 March 2017: 1 April 2018).

The carrying amounts of the Target Group's due to a director/loan from a director are denominated in the following currencies:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	3,684	50,786	—	134,000
US$	—	3,100	—	—
RMB	—	40,964	60,562	50,774
	3,684	94,850	60,562	184,774

25. BORROWINGS

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank borrowings *(note a)*	—	—	—	29,167
Finance lease obligations *(note b)*	—	14,801	146,901	200,719
	—	14,801	146,901	229,886
Current				
Bank borrowings *(note a)*	—	—	150,000	166,667
Finance lease obligations *(note b)*	—	5,530	52,661	68,146
	—	5,530	202,661	234,813
Total borrowings	—	20,331	349,562	464,699

(a) Bank borrowings

The bank borrowings are repayable as follows:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	—	150,000	166,667
More than one year, but not exceeding two years	—	—	—	16,667
More than two years, but not more than five years	—	—	—	12,500
	—	—	150,000	195,834
Less: Amount due for settlement within 12 months (shown under current liabilities)	—	—	(150,000)	(166,667)
Amount due for settlement after 12 months	—	—	—	29,167

The above bank loans are denominated in HK$.

The average interest rates of the bank loans at 31 March 2015, 2016, 2017 and 31 July 2017 were Nil, Nil, 1.68% and 1.83% respectively.

The bank loans are arranged at floating rates, thus exposing the Target Group to cash flow interest rate risk. The bank loans were secured by personal guarantee executed by the sole director, Mr. Wong, of the Target Company.

(b) Finance lease obligations

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 31 July	As at 31 March			As at 31 July
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	5,813	55,859	72,280	—	5,530	52,661	68,146
In the second to fifth years, inclusive	—	15,112	151,193	206,323	—	14,801	146,901	200,719
	—	20,925	207,052	278,603	—	20,331	199,562	268,865
Less: Future finance charges	—	(594)	(7,490)	(9,738)	—	N/A	N/A	N/A
Present value of lease obligations	—	20,331	199,562	268,865	—	20,331	199,562	268,865
Less: Amount due for settlement within 12 months (shown under current liabilities)					—	(5,530)	(52,661)	(68,146)
Amount due for settlement after 12 months					—	14,801	146,901	200,719

It is the Target Group's policy to lease certain of its plant and machinery under finance leases. The lease term is 3–4 years. At 31 March 2015, 2016 and 2017 and 31 July 2017, the average effective borrowing rate was Nil, 1.70%, 1.70% and 1.70% respectively. Interest rates are fixed and thus expose the Target Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance lease payables are denominated in US$.

26. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Target Group represented timing difference arising from accelerated tax depreciation.

At 31 March 2015, 2016 and 2017 and 31 July 2017, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary in the PRC for which deferred tax liabilities have not been recognised are approximately HK$Nil, HK$Nil, HK$10,103,000 and HK$23,157,000. No liability has been recognised in respect of these differences because the Target Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

27. SHARE CAPITAL

	The Target Company		
	Number of shares	**Nominal value of shares**	**Nominal value of shares**
		US$	*HK$*
Authorised:			
Ordinary shares of US$1 each			
At 20 September 2016 (date of incorporation), 31 March 2017 and 31 July 2017 *(note (i))*	50,000	50,000	387,500

	Number of shares	**Nominal value of shares**	**Nominal value of shares**
		US$	*HK$*
Issued and fully paid:			
At 20 September 2016 (date of incorporation) *(note (ii))*	100	100	775
At 31 March 2017 and 31 July 2017	100	100	775

(i) The Target Company was incorporated on 20 September 2016 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

(ii) On 20 September 2016, 100 ordinary shares were allotted, issued and fully paid.

(iii) As at 31 March 2015 and 2016, the share capital represents the share capital of V. Success (HK) Limited.

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the members through the optimisation of the debt and equity balance.

The Target Group currently does not have any specific policies and processes for managing capital.

28. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserve

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the Historical Financial Information.

(c) Reserve movement of the Target Company

	Accumulated losses
	HK$'000
At 20 September 2016 (date of incorporation)	—
Total comprehensive income for the period	(6)
At 31 March and 1 April 2017	(6)
Total comprehensive income for the period	(1)
At 31 July 2017	(7)

29. MAJOR NON-CASH TRANSACTIONS

(a) During the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, plant and machinery of approximately HK$Nil, HK$20,331,000, HK$185,044,000 and HK$83,560,000 were purchased under finance leases arrangement respectively.

(b) During the years ended 31 March 2017 and the four months ended 31 July 2017, plant and machinery of approximately HK$6,007,000 and HK$22,501,000 were disposed to two independent parties respectively. The amounts due by these parties, recorded in other receivables, were fully settled in June 2017 and partly settled in September 2017 respectively.

(c) As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Target Group had creditors of HK$Nil, HK$3,431,000, HK$24,081,000 and HK$54,233,000 in relation to amounts due for purchase of plant and machinery respectively.

(d) During the four months ended 31 July 2017, consideration of HK$8,675,000 for acquisition of property, plant and equipment was settled by the sales proceed from disposal of property, plant and equipment.

30. CAPITAL COMMITMENTS

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Target Group had capital commitments for the following expenditures in respect of:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for:				
— property, plant and equipment	—	465	234,032	52,694

31. LEASE COMMITMENTS

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	1,921	1,863	2,455
In the second and fifth years inclusive	—	6,243	4,030	1,261
	—	8,164	5,893	3,716

Operating lease payments represent rental payable by the Target Group for factories and dormitory. As at 31 March 2015, 2016 and 2017 and 31 July 2017, leases are negotiated for term of Nil, 5 years, 1 to 5 years and 1 to 5 years and rentals are fixed over the lease terms and do not include contingent rental.

32. CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Target Group did not have any material contingent liabilities.

33. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balance disclosed elsewhere in the Historical Financial Information, the Target Group had the following transactions with its related parties during the year/period.

	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental paid to related companies	—	—	1,398	167	1,643

The sole director, Mr. Wong, has significant influence over the related companies.

(b) The sole director, Mr. Wong, has provided personal indemnity against any liabilities the Target Group may be imposed as a result of any non-compliance of the law and regulations relating to social insurance and housing provident fund in the PRC.

(c) The sole director, Mr. Wong, has also provided personal indemnity against any liabilities the Target Group may be imposed as a result of any non-compliance of the law and regulations relating to current labour dispatch arrangement of its subsidiary in the PRC, arising from hiring of staff by a labour dispatch entity since April 2017 of which the number of staff hired has exceed the maximum percentage allowed pursuant to Interim Provisions on Labour Dispatch 《勞務派遣暫行規定》promulgated by the PRC authority on 24 January 2014.

34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Relevant Period, part of the loan from a director, Mr. Wong, amounting to HK$84,744,000, were settled by cash in August and September 2017, respectively. Pursuant to a share transfer agreement dated 28 September 2017 signed between Mr. Wong and Nameson Group Limited, a subsidiary of Nameson Holdings Limited, the remaining part of such loan, amounting to HK$100,000,000, will be capitalised upon the completion of the proposed acquisition of the Target Group by Nameson Holdings Limited.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 July 2017.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the ''Unaudited Pro Forma Financial Information'') which has been prepared based on the consolidated balance sheet of the Group as set out in the annual report of the Company for the year ended 31 March 2017 after making pro forma adjustments as set out below. This Unaudited Pro Forma Financial Information has been prepared to illustrate the effect of the acquisition of the entire issued share capital of V. Success (the ''Acquisition''), as if the Acquisition had taken place on 31 March 2017.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 March 2017 or any future dates.

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

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

		Pro forma adjustments			
	Audited consolidated statement of assets and liabilities of the Group as at 31 March 2017	**Audited consolidated statement of assets and liabilities of the V. Success Group as at 31 July 2017**			**Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	
ASSETS					
Non-current assets					
Land use rights	42,624	—			42,624
Property, plant and equipment	1,227,821	516,154			1,743,975
Investment properties	2,282	—			2,282
Intangible assets	—	—	167,048		167,048
Goodwill	—	—	269,489		269,489
Available-for-sale financial assets	144,800	—			144,800
Prepayment, deposits, other receivables and other assets	42,310	—			42,310
	1,459,837	516,154			2,412,528
Current assets					
Inventories	417,970	34,418			452,388
Trade receivables	104,913	57,310			162,223
Prepayment, deposits, other receivables and other assets	55,915	94,914			150,829
Short-term bank deposits	50,229	—			50,229
Cash and cash equivalents	643,197	114,790	(220,000)		537,987
	1,272,224	301,432			1,353,656
TOTAL ASSETS	2,732,061	817,586			3,766,184
LIABILITIES					
Non-current liabilities					
Borrowings	378,836	229,886			608,722
Loan from a director	—	184,744	(100,000)		84,744
Deferred income tax liabilities	2,443	39	41,762		44,244
	381,279	414,669			737,710
Current liabilities					
Trade and bills payables	174,999	28,182			203,181
Accruals and other payables	82,992	81,032		2,893	166,917
Current income tax liabilities	107,226	3,665			110,891
Borrowings	415,569	234,813			650,382
	780,786	347,692			1,131,371
TOTAL LIABILITIES	1,162,065	762,361			1,869,081
NET ASSETS	1,569,996	55,225			1,897,103

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unadjusted consolidated statement of assets and liabilities of the Group as at 31 March 2017 is extracted from the audited consolidated balance sheet of the Group as at 31 March 2017 as set out in the published annual report of the Company for the year ended 31 March 2017.

2. The consolidated statement of assets and liabilities of the V. Success Group as at 31 July 2017 is extracted from the financial information of the V. Success Group as set out in Appendix II to this circular, which has been prepared in conformity with the principles applicable to a going concern basis. The V. Success Group recorded net cash outflow from operating activities of HK$27,118,000 for the four months period ended 31 July 2017 and had net current liabilities of HK$46,260,000. This matter, as stated in Appendix II to this circular, indicate the existence of a material uncertainty which may cast significant doubt on the V. Success Group's ability to continue as a going concern.

3. Pursuant to the conditional Share Transfer Agreement dated 28 September 2017, the Group intended to acquire the entire issued share capital of V. Success for a total consideration of HK$550,000,000 to be satisfied by (i) cash consideration of HK$220,000,000, and (ii) allotment and issue of the 200,000,000 Consideration Shares of the Company. For the purpose of the Pro Forma Financial Information, the Directors have assumed that the fair value of the Consideration Shares is HK$330,000,000 using the closing quoted market price of the Shares of HK$1.65 as at 31 March 2017.

   Upon completion of the Acquisition, V. Success will become a wholly-owned subsidiary of the Company, and the identifiable assets and liabilities of the V. Success Group will be accounted for by the Group at their fair values in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

   The provisional purchase price allocation arising from the Acquisition of the V. Success Group is calculated as follows:

		HK$'000
Total consideration		550,000
Less:		
Net assets of the V. Success Group as at 31 July 2017		55,225
Capitalisation of loan from a director	*a*	100,000
Fair value adjustments on:		
— Recognition of an intangible asset	*b*	167,048
— Recognition of deferred income tax liabilities arising from the recognition of the intangible asset	*b*	(41,762)
		280,511
Goodwill arising from the Acquisition	*c*	269,489

   (a) The adjustment represents the capitalisation of loan from a director amounting to HK$100,000,000 which is a condition precedent to the Share Transfer Agreement of the Acquisition.

   (b) Fair value adjustment represents the recognition of technical know-how, an intangible asset, acquired from the Acquisition, amounting to HK$167,048,000, which was determined by reference to the excess earnings method under income approach. The excess earnings method has considered the estimated sales from existing customers and based on post-tax discount rate of 15.70%. The estimated useful life of the technical know-how is eight years.

In this connection, deferred income tax liabilities of HK$41,762,000 is determined based on the fair value surplus of intangible assets of HK$167,048,000 by applying a tax rate of 25% in the Mainland China.

(c) The directors of the Company have estimated the fair value of the identifiable assets and liabilities of the V. Success Group as at 31 July 2017, by reference to a valuation report dated 21 November 2017 prepared by an independent valuer, and have applied it as the fair value of the identifiable assets and liabilities of the V. Success Group in the Acquisition in preparing the Unaudited Pro Forma Financial Information. Since the quoted market price of the Company's shares at the date of Completion may be substantially different from the aforementioned price used in preparing this Unaudited Pro forma Financial Information, and the fair values of the identifiable assets acquired and liabilities assumed of the V. Success Group at the date of Completion may be substantially different from the fair values used in preparing this Unaudited Pro Forma Financial Information, the goodwill relating to the Acquisition at the date of completion may be substantially different from the corresponding amounts presented in this Unaudited Pro Forma financial Information.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of the intangible assets and goodwill arising from the Acquisition with reference to Hong Kong Accounting Standard 36 "Impairment of Assets". The Directors have taken into consideration the historical performance and the financial performance of the V. Success Group and synergy after the Acquisition as the key parameters and business assumptions in the valuation and the Directors have assessed the V. Success Group's recoverable amount based on fair value arising from the identifiable assets. Based on the assessment results, the Directors concluded that there is no impairment in the value of intangible assets and goodwill. The Company will adopt consistent accounting policies, principal assumptions and methodology (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's goodwill in future, and communicate such basis with its auditor.

4. Based on objective evidences, the Directors consider that the possibility is low that the consolidated net profit (after tax) for the year ending 31 March 2018 would be less than HK$66 million and accordingly the Profit Guarantee would not be materialised. For the purpose of Pro Forma Financial Information, no value has been attached to the Profit Guarantee.

5. The pro forma adjustment represents the estimated transaction costs of approximately HK$2,893,000, which is payable by the Company in connection with the Acquisition at the completion date.

6. Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the V. Success Group subsequent to 31 March 2017 and 31 July 2017, respectively. In particular, the Unaudited Pro Forma Financial Information has not taken into account the acquisition of shares in Champ Gear Investments Limited as disclosed in the announcement of the Company dated 3 April 2017 and the repayment of loan from a director amounting to HK$84,744,000 in August and September 2017 as set out in note 34 of Appendix II to this circular.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

pwc 羅兵咸永道

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

To the Directors of Nameson Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nameson Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and V. Success Limited and its subsidiaries (the "V. Success Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 March 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-4 of the Company's circular dated 24 November 2017, in connection with the acquisition of the entire equity interest of the V. Success Group (the "Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 March 2017 as if the Acquisition had taken place at 31 March 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 March 2017, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2017 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, 24 November 2017

(A) BACKGROUND

Set out below is the management discussion and analysis of the V. Success Group for the financial years ended 31 March 2015, 2016, 2017 and the four months ended 31 July 2016 and 2017 (the "**Relevant Periods**"). As at the Latest Practicable Date, the V. Success Group comprised V. Success and its subsidiaries including (i) V. Success HK; (ii) V. Success Huizhou; and (iii) V. Success Vietnam. The following financial information is based on the financial information of the V. Success Group as set out in Appendix II to this circular.

(B) MANAGEMENT DISCUSSION AND ANALYSIS ON THE V. SUCCESS GROUP

(1) General information

V. Success is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. It is the holding company of V. Success HK, which in turn holds the entire issued share capital of V. Success Huizhou and V. Success Vietnam. Each of V. Success Huizhou and V. Success Vietnam leases factories and dormitories in Huizhou and Vietnam for conducting the principal business of the V. Success Group, which is the manufacturing of knitted upper for footwear and knitted upper shoes.

(2) Financial overview

Set out below is the financial performance of the V. Success Group for the Relevant Periods as extracted from the accountants' report on historical financial information of V. Success Group as set out in Appendix II to this circular:

	Year ended 31 March			Four months ended 31 July	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	—	12,114	137,851	27,303	125,833
Gross profit/(loss)	(3)	(6,371)	70,724	8,941	55,103
Profit/(loss) for the year/ period	(167)	(20,206)	32,900	1,370	25,419

Revenue

The revenue of the V. Success Group is derived from the manufacturing of knitted upper for footwear and knitted upper shoes. For the year ended 31 March 2016, being the first year of production, the revenue of V. Success Group was approximately HK$12.1 million. For the year ended 31 March 2017, the revenue of the V. Success Group increased by approximately 11 times to approximately HK$137.9 million, which was contributed by (i) the organic growth in the business operation; (ii) additional manufacturing machines having been put in place; and (iii) the expansion of customer base. Due to the aforesaid reasons, the revenue of the V. Success Group was increased by approximately 361% from approximately HK$27.3 million to approximately HK$125.8 million for the four months ended 31 July 2017 when compared to the corresponding period in 2016.

Profit/(Loss)

For the year ended 31 March 2015, V. Success Group generated a net loss of approximately HK$0.2 million as it had not yet commenced production and no revenue was generated during this period. For the year ended 31 March 2016, even though the V. Success Group commenced production, it had not yet reached economy of scale. As a result, it incurred a gross loss of approximately HK$6.4 million and a net loss of approximately HK$20.2 million. Nevertheless, economy of scale has improved in the year ended 31 March 2017 and therefore the V. Success Group generated a profit of approximately HK$32.9 million.

Assets and liabilities

Set out below is the financial position of the V. Success Group for the Relevant Periods as extracted from the accountants' report on historical financial information of V. Success Group as set out in Appendix II to this circular:

Consolidated statements of financial position		**As at 31 March**			**As at 31 July**
		2015	**2016**	**2017**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	(i)	—	76,824	330,835	516,154
Current assets	(ii)	3,507	27,170	138,670	301,432
Total assets	**(iii)=(i)+(ii)**	**3,507**	**103,994**	**469,505**	**817,586**
Non-current liabilities	(i)	—	14,856	207,507	414,669
Current liabilities	(ii)	3,746	111,460	256,027	347,692
Total liabilities	**(iii)=(i)+(ii)**	**3,746**	**126,316**	**463,534**	**762,361**
Net assets/(liabilities)		(239)	(22,322)	5,971	55,225

As stated above, the total assets of the V. Success Group as at 31 March 2016 amounted to approximately HK$104.0 million, which is an aggregate value of (i) non-current assets of approximately HK$76.8 million; and (ii) current assets of approximately HK$27.2 million. The increase in total assets of the V. Success Group as at 31 March 2016 (being approximately HK$104.0 million) as compared to that as at 31 March 2015 (being approximately HK$3.5 million) by approximately 30 times was mainly due to the commencement of production for the year ended 31 March 2016 leading to the increase in (i) the net book value of property, plant and equipment by approximately HK$76.8 million; (ii) inventories by approximately HK$1.2 million; (iii) trade receivables by approximately HK$7.3 million; (iv) prepayments, deposits and other receivables by approximately HK$14.8 million; and (v) bank and cash balances by approximately HK$0.5 million. Due to the same reason and in line with the increase in total assets, the total liabilities of the V. Success Group was increased by approximately HK$122.6 million (representing approximately 33 times) from approximately HK$3.7 million as at 31 March 2015 to approximately HK$126.3 million as at 31 March 2016, which was mainly due to an increase in the amount of current liabilities from approximately HK$3.7 million to approximately HK$111.5 million resulted mainly from increase of the due to director by HK$91.2 million. As a result of the above, the net liabilities of the V. Success Group as at 31 March 2016 was amounted to approximately HK$22.3 million, representing approximately 92 times as compared to that as at 31 March 2015.

In the year ended 31 March 2017, the V. Success Group experienced organic growth resulting in more manufacturing machines and customers. As a result, the total assets of the V. Success Group as at 31 March 2017 has significantly increased to approximately HK$469.5 million, representing approximately an increase of approximately 351.5% when compared to the total asset value of the corresponding period in 2016, which also represented to (i) an increase in investment in property, plant and equipment; and (ii) an increase in bank and cash balances. On the other hand, the total liabilities of the V. Success Group as at 31 March 2017 was increased by approximately HK$337.2 million which was mainly due to more borrowings. As a result of the above, the net assets of the V. Success Group as at 31 March 2017 amounted to approximately HK$6.0 million, which represents an increase of approximately HK$28.3 million when compared to the net liabilities of the V. Success Group of HK$22.3 million as at 31 March 2016.

As at 31 July 2017, the total assets of the V. Success Group amounted to approximately HK$817.6 million, which is an aggregate sum of (i) non-current assets amounted to approximately HK$516.2 million and (ii) current assets amounted to approximately HK$301.4 million. The net assets of the V. Success Group as at 31 July 2017 amounted to approximately HK$55.2 million, which represents an increase of approximately HK$49.3 million (representing approximately 8 times) when compared to its net asset value of HK$6.0 million as at 31 March 2017. The total liabilities of the V. Success Group as at 31 July 2017 amounted to approximately HK$762.4 million, representing an increase of approximately 64.5% when compared to that as at 31 March 2017.

(3) Segment information

The V. Success Group has been operating in a single operating segment, i.e. trading and manufacturing of knitted upper for footwear and knitted upper shoes during the Relevant Periods.

(4) Liquidity and financial resources

The total assets of the V. Success Group as at 31 July 2017 were approximately HK$817.6 million, which mainly include property, plant and equipment, inventories, trade receivables, prepayments, deposits and other receivables and bank and cash equivalent of approximately HK$516.2 million, HK$34.4 million, HK$57.3 million, HK$95.0 million and HK$114.8 million respectively.

The total liabilities of the V. Success Group as at 31 July 2017 were approximately HK$762.4 million, which mainly include borrowings of HK$464.7 million and loan from a director (i.e. the Vendor) of HK$184.7 million.

In order for the Enlarged Group to maintain financial independence from its controlling shareholders (including the Vendor) after Completion, the Group will rely on its own resources to fund the operation of the V. Success Group and therefore, the loan from the Vendor in the amount of HK$184.7 million has been partially settled in cash (approximately HK$84.7 million) by September 2017, and it has been made as a condition precedent to the Acquisition that the balance of the loan in the amount of HK$100 million will be capitalised by the Vendor before Completion. Such loan capitalisation is determined on the basis that the relatively high price-to-book ratio (P/B) of approximately 10 times as at 31 July 2017 (based on the net asset value of the V. Success Group of HK$55.2 million as at 31 July 2017) could be reduced to approximately 3.5 times resulting from an increase of its net asset value to HK$155.2 million after such loan capitalization. The Directors consider that such basis for determining the loan capitalisation amount is fair and reasonable.

As at 31 March 2016 and 2017 and 31 July 2017, the V. Success Group had capital commitments for the acquisition of property, plant and equipment in the amount of approximately HK$465,000, approximately HK$234.0 million and approximately HK$52.7 million respectively.

(5) Capital management and gearing ratio

The V. Success Group manages its capital to ensure that entities will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The V. Success Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the V. Success Group consists of total borrowings and equity attributable to owners of the V. Success Group. The management of the V. Success Group reviews and balances the capital structure by considering the cost of capital and the risks associated on a regular basis.

The following table sets out a summary of the V. Success Group's gearing ratio as at the respective dates:

	As at 31 March			As at 31 July
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowings *(note (a))*	3,684	115,181	410,124	649,443
Total equity *(note (b))*	(239)	(22,322)	5,971	55,225
Gearing ratio	N/A	N/A	6,868.6%	1,176.0%

The increase in borrowings during the Relevant Periods is in line with the increase in total assets, which resulted from the operational expansion of the V. Success Group.

Notes:

(a) Total borrowings represent borrowings and loan from a director.

(b) Total equity represents the share capital and the reserves.

(6) Cash position and borrowings

As at 31 October 2017, the cash and bank balances of V. Success Group were approximately HK$123.6 million, which represented an increase of HK$8.8 million from HK$114.8 million as at 31 July 2017, even after the repayment of the loan from a director of HK$84.7 million during the period.

The monthly working capital required by the V Success Group mainly comprised of the general working capital induce by the administration cost (fixed costs) and the working capital induced by the sales order execution (variable costs).

As per the management accounts of the V. Success Group provided by the Vendor, as at 30 September 2017, the fixed general administrative working capital required by the V Success Group is approximately HK$7 million per month while the working capital variable from the sales order execution (being the cost of sales and the selling expenses) is approximately 60% of the revenue, and with no material effect resulting from the change of working capital resulted from the change of accounts receivables, accounts payables and inventories.

Based on the fact that monthly revenue of the V. Success Group for August 2017 and September 2017 both reached over HK$50 million per month, the monthly variable costs amount to HK$30 million (being HK$50 million x 60%) and a fixed cost of HK$7 million (as above), resulting a monthly working capital (cash outflow) of HK$37 million.

Assuming the monthly revenue of V. Success Group remains over HK$50 million, the Company is of the view that the operation of the V. Success Group shall generate a positive net working capital (cash inflow) for the Group of approximately HK$13 million per month.

The following table sets out the V. Success Group's borrowings as at 31 July 2017 and 30 September 2017 (subsequent to the repayment of loan from a director of HK$84.7 million in August and September 2017):

	As at 31 July 2017	As at 30 September 2017
	HK$ million	*HK$ million*
Non-current		
Bank borrowings *(note (a))*	29	29
Finance lease obligations *(note (b))*	201	225
Loan from a director	185	100
Current		
Bank borrowings *(notes (a) and (c))*	167	216
Finance lease obligations *(note (b))*	68	81
Total borrowings	650	651

Notes:

(a) As advised by the Vendor, the borrowings are mainly to finance the investment for the operation of the V. Success Group. The increase of current borrowings from HK$167 million as at 31 July 2017 to HK$216 million as at 30 September 2017 was due to the obtaining of a trade finance loan by the V. Success Group because of the growth in revenue of the V. Success Group. For details, please refer to the section headed "Statement of Indebtedness" in Appendix I and the note 25 of Appendix II.

(b) It is the V. Success Group's policy to lease certain of its plant and machinery under finance leases. For details, please refer to the section headed "Statement of Indebtedness" in Appendix I and the note 25 of Appendix II.

(c) Out of such current bank borrowings of HK$216 million, HK$100 million is a term loan lasting for one year, which the Directors expect it would be replaced in December 2017 and HK$50 million of which is a revolving loan which the Directors expect no material difficulty in rolling over it for at least 12 months. In other words, the loan repayment obligation which shall be repaid by the V. Success Group within 12 months from 31 October 2017 was HK$66 million.

Taking into account that (i) the operation of the V Success Group shall generate a positive net working capital (cash inflow); and (ii) the V. Success Group's cash balance of HK$123.6 million as at 31 October 2017 is expected to be more than the aggregate amount of the bank borrowing of HK66 million and finance lease obligations of HK$81 million which shall be repaid within 12 months, the Directors consider the V. Success Group has sufficient cash to meet its financial obligation and cash requirements in the coming 12 months.

(7) Other key financial ratios

	Year ended 31 March			Four months ended
	2015	2016	2017	July 2017
Inventory turnover days (days) *(note (a))*	—	24	68	59
Trade receivable turnover days (days) *(note (b))*	N/A	219	98	56
Trade payable turnover days (days) *(note (c))*	N/A	16	53	49

Notes:

(a) Inventory turnover days are calculated by the inventories divided by the cost of sales for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 respectively and 122 days for the four months ended 31 July 2017. The inventory turnover days increased from 24 days to 68 days from the year ended 31 March 2016 to 31 March 2017 as the V. Success Group has improved the production capacity at a rate greater than its sales. It then decreased to 59 days when sales have subsequently picked up.

(b) Trade receivables turnover days are calculated by the trade receivables divided by the total revenues for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 respectively and 122 days for the four months ended 31 July 2017. The trade receivable turnover days were at 219 days for the year ended 31 March 2016 as majority of the trade receivable was still within credit term. It then decreased to 98 and further to 56 days when more trade receivables were recovered after the expiry of credit terms.

(c) Trade payables turnover days are calculated by the trade payables divided by cost of sales for the year (in case of four months ended 31 July 2017, the projected amount is adopted) and multiplied by 365 days for each of the years ended 31 March 2015, 2016 and 2017 respectively and 122 days for the four months ended 31 July 2017. The trade payable turnover days increased from 16 days to 53 days from the year ended 31 March 2016 to 31 March 2017 as the V. Success Group has purchased raw materials at a rate greater than its sales for its expansion of production capacity. It decreased to 49 days when sales have subsequently picked up.

(8) Charge on assets

As at 31 March 2015, 2016 and 2017 and 31 July and 2017, the V. Success Group had no outstanding charges or encumbrances on its assets save as disclosed in note 25 of Appendix II.

(9) Contingent liabilities

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the V. Success Group did not have any material contingent liabilities. For details, please refer to note 32 of Appendix II.

(10) Foreign exchange exposure

The V. Success Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi, United States dollars, Euro, and Viet Nam Dong during the Relevant Periods. The V. Success Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities during the Relevant Periods. The V. Success Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. For details, please refer to note 6(a) of Appendix II.

(11) Employees and remuneration policies

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the V. Success Group had a total of 7, 381, 755 and 1,870 employees respectively. The total employee benefit expenses were HK$116,000, HK$18.0 million, HK$41.3 million and HK$43.9 million respectively, for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017.

Remuneration packages and benefits offered by the V. Success Group was determined in accordance with the relevant government policies in the PRC and Vietnam with reference to market trend, as well as individual competence and performance of the staff. For the details of the employees' emoluments and pension scheme contributions paid. For details, please refer to note 14 of Appendix II.

(12) Future plans for material investments or capital assets

As at the Latest Practicable Date, the V. Success Group did not have any future plans for material investment or capital assets save as disclosed in note 30 of Appendix II.

(13) Significant investment held

During the Relevant Periods, save for the investment in property, plant and equipment, there was no significant investments by the V. Success Group.

(14) Material acquisition or disposal of subsidiary or associated company

During the Relevant Periods, there was neither material acquisition nor disposal of subsidiaries or associated company by the V. Success Group.

(15) Future Prospect

The V. Success Group will continuously broaden its customer base and provide high quality products to customers. At the same time, the V. Success Group will keep controlling the cost to purse a higher return to shareholders.

The following is the text of a Valuation Report prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Ltd., an independent valuer in connection with its valuation as at 25 September 2017 of 100% equity interest of V. Success Limited.

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Board of Directors
Nameson Holdings Limited
Units A-C, 21/F, Block 1
Tai Ping Industrial Centre
57 Ting Kok Road, Tai Po New Territories,
Hong Kong

24 November 2017

Dear Sirs,

RE: VALUATION OF 100% EQUITY INTEREST OF V. SUCCESS LIMITED

INSTRUCTIONS

In accordance with the instructions received from Nameson Holdings Limited (the "**Company**"), we have undertaken a valuation exercise to express an independent opinion on the market value of 100% equity interest (the "**Equity Interest**") of V. Success Limited and its subsidiaries (altogether referred to as the "**Target Group**"). Our valuation work was performed subject to the assumptions and limiting conditions described in this report. we confirm that we have reviewed the information/documents provided by the Company, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value the Target Group as at 25 September 2017 (hereinafter referred to as the "**Valuation Date**").

This report outlines the purpose of valuation, premise of value, sources of information, identifies the business appraised, describes the valuation methodology of our valuation, assumptions and limiting conditions, and presents our investigation, analysis and our opinion of value.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of the Equity Interest of the Target Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for internal reference purposes as well as incorporation into the circular of the Company in relation to the proposed acquisition of the Equity Interest of the Target Group.

This report is being prepared solely for the use of the directors and management of the Company for the above-mentioned purpose and is not to be used for any other purpose, including issue to third parties, without our prior approval of the use, form and context in which it is released.

Colliers International (Hong Kong) Limited assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

PREMISE OF VALUE

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2017 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on a market value basis. Market value is defined as 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.

INTRODUCTION

The Company

Nameson Holdings Limited was incorporated in the Cayman Islands as an exempted with limited liability on 11 August 2015 and is principally engaged in investment holding. The Company together with its subsidiaries are principally engaged in manufacturing of knitwear products.

Overview of the Target Group

V. Success Limited was incorporated in British Virgin Islands with limited liability and acts as an investment holding company. The Target Group is principal engaged in trading and manufacturing of knitted upper for footwear and knitted upper shoes.

V. Success (HZ) Knitting Limited (a.k.a 保麗信(惠州)織造有限公司) is one of the operating subsidiaries of V. Success Limited. It was established on 2 February 2015 under the laws of the PRC with limited liability. The principal business of V. Success (HZ) Knitting Limited is trading and manufacturing of shoes and yarn knitted upper. The company has hired around 1,878 employees as at the Valuation Date.

SCOPE OF SERVICES

This engagement involved an analysis of the Target Group as at the Valuation Date. In undertaking this valuation assignment, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the management of the Company and/or the Target Group or their representatives (hereinafter referred to as the "**Management**"):

- Conducted company visit;
- Conducted meeting(s) and/or discussion with the Management;
- Obtained the relevant financial and operational information related to the Target Group and its business;
- Performed market research and obtained statistical data from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the subject matter, which were provided by the Management;
- Conducted valuation of the subject matter using the respective standards of value that are most appropriate; and
- Documented the result of our findings in this valuation report.

SOURCES OF INFORMATION

In conducting our valuation of the Equity Interest, we have considered, reviewed and relied upon the following key information provided by the Management of the Company and/or the Target Group. We relied on the following information in performing this appraisal:

- Background of the Target Group and relevant corporate information;
- Business registration details of the Target Group provided by the Management;
- Audited financial statements of the Target Group for the year ended 31 March 2017;
- Monthly management accounts of the Target Group commencing from August 2016 to July 2017;
- Audited financial statements of the V. Success (HK) Limited for the year ended 31 March 2016 and for the year ended 31 March 2017; and

- Audited financial statements of 保麗信(惠州)織造有限公司 for the year ended 31 December 2015 and for the year ended 31 December 2016.

We assumed that the data and information we obtained in the course of the valuation, along with the opinions and representations provided to us by the Management are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

In addition, we have also obtained market data, industrial information and statistical figures from Bloomberg database and other publicly available sources.

VALUATION METHODOLOGY

There are three generally accepted approaches to assess the market value of the Target Group, namely the market approach, the asset approach, and the income approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

Market Approach

Market approach is relatively the most straightforward valuation method in determining market value of assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

Asset Approach

Asset approach (or known as cost approach) is an asset-based rather than a market-oriented method. It requires valuing the business on an individual basis to add up to the total valuations of business.

From a valuation perspective, the valuer will restate the values of all types of assets of a business entity from book value (i.e. historical cost minus depreciation) to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business entity, or, by applying the accounting principle ''assets minus liabilities'', arrive at the value of the equity interests of the business entity.

Income Approach

Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

SELECTION OF VALUATION APPROACH

Among the three valuation approaches, the asset approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business and the off balance sheet items of the business. Therefore, this method is not appropriate in the valuation. We have also considered that the income approach is not the most optimal appropriate to value the Target Group as this approach involves financial forecast information and the adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained.

The Target Group has sufficient track records. As advised by the Company, the Target Group is expected to sustain its existing business operations in the foreseeable future. Therefore, we have considered that Market approach is the most optimal approach for valuing the Target Group.

VALUATION ASSUMPTIONS AND RATIONALE

General assumptions

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. In determining the market value of the Equity Interest, the following principal assumptions have been made:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;

- We have assumed that the conditions in which the business is being operated and which are material to revenue and costs of businesses will remain unchanged;

- We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Management;

- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Group;

- We have assumed that all licenses and permits that is essential for the operation of Target Group can be obtained and are renewable upon expiry; and

- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION PROCEDURES AND PARAMETERS ADOPTED IN MARKET APPROACH

Guideline Public Company Method

The premise behind the Guideline Public Company Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry. In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each Guideline Public Company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the subject company being valued. This valuation multiple is then applied to the subject company being valued to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that using a comparative company's market value as at the Valuation Date as the numerator and a measure of the company's operating results (or financial position) as the denominator. In view of the nature of business operations of the Target Group, Price-to-Book Value Ratio is considered not appropriate for this valuation on the ground that the Target Group, which is not an asset holding company, has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. The company specific advantages are not captured in Price-to-Book Value Ratio. The Price-to-Revenue Ratio is also considered not appropriate for this valuation since revenues may not consider the cost structure and profitability (which are considered primary factors affecting the value of a company of the same kind). As a result, the most preferable valuation multiple for valuing equity value is Price-to-Earnings ("P/E") Ratio. P/E Ratio is an appropriate valuation multiple for the valuation of the equity interest because it measures the amount an investor, or a shareholder, is paying for a dollar of earnings.

Once we have selected a number of Guideline Public Companies and make the necessary adjustments to their financial information, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected Guideline Public Companies. The process of computing the valuation multiple in this case consists of the following procedures:

1. Determination of the equity value for each Guideline Public Companies as at the Valuation Date. The equity value for each Guideline Public Companies which is the market capitalization, is made reference to Bloomberg as at the Valuation Date.

2. Determination of the measure of operating result, which is earning for the appropriate time period. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of Guideline Public Companies that are similar enough to the underlying business of the Target Group so as to provide a meaningful comparison. We exercised due care in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular Guideline Public Companies is relevant. When the similarity between the subject company and the Guideline Public Companies is so low that a meaningful comparison cannot be made, we would then question the use of this Guideline Public Company Method.

Selection of Guideline Public Companies

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with a description of the potential companies, in terms of lines of business, market location of business, financial result and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the guideline public companies and the Target Group. Firstly, it is focused to identify listed companies which owns plants and factories for production. After that we narrow down the pool of listed companies in which major business location is in the PRC, Hong Kong and Asia Pacific, these criteria would keep the selection having similar operation (i.e. sales and manufacturing of knitwear, footwear or shoes products) and geographical exposure as the Target Group. As a result, listed companies with similar business exposure in relation to sales and manufacturing of knitwear, footwear or shoes products were identified. Afterwards, more thorough studies have been carried out to confine the selection of guideline public companies.

The principal business of the Target Group is trading and manufacturing of knitted upper for footwear and knitted upper shoes. We have attempted to select the listed companies with same principal business as the Target Group. However, due to the uniqueness of the Target Group's business model, there is no listed company which is directly comparable to the Target Group, i.e. there is no listed company primarily engaging in and generating its revenue substantially from manufacturing and selling of knitted upper for footwear and knitted upper shoes.

Given the above, we therefore expand our review to Hong Kong listed companies engaging in trading and manufacturing of knitwear, footwear or shoes products. We consider this selection basis is reasonable and the sample list is fair and representative.

As a result, the comparable companies were selected with reference to the criteria as follows:

- The comparable companies derive over 70% of their revenues from trading and manufacturing of knitwear, footwear or shoes products in the latest full financial year;
- The comparable companies are listed in Hong Kong;
- The comparable companies have sufficient operating histories;
- The financial information of the comparable companies is available to the public; and
- Price-to-Earnings (P/E) ratio as at the Valuation Date, of the companies are available.

We then identified 5 comparable companies as our comparable to the Target Group with the aforesaid criteria and calculated the P/E of each of the companies. The following is the list of the comparable companies that we have selected in connection with the valuation of the Equity Interest.

Details of the Comparable Companies are listed as follows:

Company Name	Ticker	Business Description
Stella International Holdings Limited	1836 HK Equity	Stella International Holdings Limited develops and manufactures footwear products for casual and fashion footwear companies worldwide. According to the annual report released by the company, over 94% of its revenue was derived from the manufacturing and sales of footwear during the last financial year ended 31 December 2016 and last six months ended 30 June 2017.
Yue Yuen Industrial (Holdings) Limited	0551 HK Equity	Yue Yuen Industrial (Holdings) Limited, through its subsidiaries, manufactures and markets athletic, athletic-style leisure, casual, and outdoor footwear. According to the annual report released by the company, over 71% and 67% of its revenue was derived from manufacturing and sales of footwear products during the last financial year ended 31 December 2016 and last six months ended 30 June 2017 respectively.

Company Name	Ticker	Business Description
Kingmaker Footwear Holdings Limited	1170 HK Equity	Kingmaker Footwear Holdings Limited, through its subsidiaries, manufactures, trades, and distributes shoes. The company also trades and distributes sportswear and sport shoes. According to the annual report released by the company, 100% of its revenue was derived from manufacturing and sale of footwear products during the last financial year ended 31 March 2017.
Nameson Holdings Limited	1982 HK Equity	Nameson Holdings Limited is a knitwear manufacturer in the PRC. Its production bases are equipped with highly automated production facilities, including fully-automated knitting machines sourced from Japan and Germany, and are capable of producing knitted products with complex designs. According to the annual report released by the company, 100% of its revenue was derived from manufacturing of knitwear products during the last financial year ended 31 March 2017.
Shenzhou International Group Holdings Limited	2313 HK Equity	Shenzhou International Group Holdings Limited and its subsidiaries represent vertically integrated knitwear manufacturer in China. The Group is principally engaged in the manufacture of high-end knitwear on an OEM basis. According to the annual report released by the company, 100% of its revenue was derived from manufacturing and sales of knitwear products during the last financial year ended 31 December 2016 and last six months ended 30 June 2017.

Source: Bloomberg and Financial Reports of the Comparable Companies

The above comparable companies, together with the Target Group, are similarly subject to fluctuations in the economy and performance of the manufacturing and sales of footwear and knitwear products industries, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Details of the calculation of valuation multiples for the comparable companies are as follows:

Ticker of the company	Latest financial year/period ended	Market Capitalisation as at the Valuation Date (HK$ million)	P/B Ratio[(1)]	Reported Trailing 12-months Earnings[(2)] (million)	Normalized Trailing 12-months Earnings (million)	P/E Ratio[(8)]	Normalized P/E Ratio[(9)]
1836 HK	30 Jun 2017	11,184.9	1.48	US$79.7	US$82.9[(3)]	17.98	17.29
0551 HK	30 Jun 2017	47,983.8	1.28	US$544.3	US$555.2[(4)]	11.29	11.07
1170 HK	31 Mar 2017	1,781.9	1.56	HK$132.6	HK$149.9[(5)]	13.45	11.89
1982 HK	31 Mar 2017	3,257.8	2.08	HK$328.1	HK$317.1[(6)]	9.93	10.27
2313 HK	30 Jun 2017	89,364.6	4.92	RMB3,296.4	RMB3,314.8[(7)]	22.89	22.76
Average:						15.11	14.66
Median (adopted):						13.45	11.89

Source: Comparable Companies' filings, Bloomberg

The Purpose of adopting Normalized P/E Ratio as Valuation Multiple

The normalized P/E Ratio is calculated by dividing the market capitalization of the comparable companies by their respective normalized trailing 12-months earnings. The normalized trailing 12-months earnings of each comparable company have been directly extracted from Bloomberg. The objective of the normalization process is to remove the one-off, non-operating or non-recurring items from the reported earnings, so as to ensure the normalized P/E Ratio adopted only taking into account the operating earnings of all comparable companies. Normalized P/E Ratio can better reflect the real earnings capability of each comparable company from the operating perspective, and is considered as a fair and representative valuation multiple.

The detailed adjustment criteria in deriving the Normalized P/E Ratio

The detailed adjustment process in deriving the Normalized P/E Ratio is elaborated in Notes (2) to Notes (6) as below. Generally speaking, the adjusted items include (a) the gain/ loss on disposal of property, plant and equipment; (b) the unrealized gain/loss on changes in fair value of derivative financial instruments; (c) the impairment loss of property, plant and equipment; and (d) gain/loss before tax from discontinued operation. The aforesaid adjusted items are one-off, non-operating or non-recurring in nature, which is considered as no direct relationship with trading and manufacturing of knitwear products, footwear or shoes.

Notes:

(1) The P/B ratio is calculated by dividing the Market Capitalization of the comparable companies by their respective net book value as at their most recently published financial information extracted from the respective annual reports, interim reports and quarterly reports, as applicable.

(2) The trailing 12-months earnings attributable to shareholders as reported are calculated based on the most recently published financial information extracted from the respective annual reports, interim reports and quarterly reports, as applicable.

(3) The normalized trailing 12-months earnings of Stella International Holdings Limited is the reported trailing 12-months earnings add loss on disposal of property, plant and equipment of US$2.5 million and unrealized loss on changes in fair value of derivative financial instruments of US$0.7 million.

(4) The normalized trailing 12-months earnings of Yue Yuen Industrial (Holdings) Limited is the reported trailing 12-months earnings add loss on changes in fair value of derivative financial instruments of US$12.7 million, less gain on disposal of property plant and equipment of US$1.9 million.

(5) The normalized trailing 12-months earnings of Kingmaker Footwear Holdings Limited is the reported trailing 12-months earnings add impairment of property, plant and equipment of HK$0.3 million and loss before tax from discontinued operation of HK$17.1 million.

(6) The normalized trailing 12-months earnings of Nameson Holdings Limited is the reported trailing 12-months earnings less gain on disposal of assets of HK$7.9 million and unrealized gain in financial assets of HK$3.1 million.

(7) The normalized trailing 12-months earnings of Shenzhou International Group Holdings Limited is the reported trailing 12-months earnings add loss on disposal of property, plant and equipment of RMB18.3 million.

(8) The P/E ratio is calculated by dividing the Market Capitalization of the comparable companies by the trailing 12-months earnings as reported.

(9) The normalized P/E Ratio is calculated by dividing the Market Capitalization of the comparable companies by the normalized trailing 12-months earnings.

(10) The median value of the normalized P/E ratio is selected for the valuation in order to minimise the impact from outliers.

For the trailing 12-months ended 30 June 2017 (the "**Trailing Period**"), the profit after tax of the Target Group was approximately HK$54,678,842. The source of the Trailing Period financial information was provided by V. Success Limited. V. Success Limited has exactly provided the same source of the Trailing Period financial information to its reporting accountants in preparing the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and the 4 months period ended 31 July 2017. We are not in the position to verify the accuracy of the Trailing Period financial information provided to us. However, both the directors of the Company and we have no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided.

The financial information of the Trailing Period has not considered the cash repayment to the Vendor and the loan capitalization. It is because the cash repayments to the Vendor were settled by cash in August and September 2017, respectively, and the loan will be capitalized upon the completion of the proposed acquisition of the Target Group by Nameson Holdings Limited. As these two events was happened/to be happened after the Trailing Period, they should not be considered in the financial information of the Trailing Period.

On the other hand, although the cash repayment is before the Valuation Date (i.e. 25 September 2017), the cash repayment only reduced the debt of the Target Group and simultaneously the same amount of cash was removed from the Target Group. As a result, the net asset value of the Target Group remains unchanged.

Detailed calculations of the profit after tax of the Target Group are as follows:

	Jul–Dec 2016 (6 months) *HK$'000*	**Jan–Jun 2017 (6 months)** *HK$'000*	**Jul 2016–Jun 2017 (Trailing 12-months)** *HK$'000*
Revenue	72,568	142,214	214,782
Cost of sales	(36,787)	(69,262)	(106,049)
Gross Profit	35,781	72,952	108,733
Other (losses)/gains	(639)	1,906	1,267
Selling and distribution expenses	(1,343)	(1,544)	(2,887)
General and administrative expenses	(13,051)	(27,214)	(40,265)
Profit from operations	20,748	46,100	66,848
Finance expenses, net	(295)	(2,742)	(3,036)
Profit before tax	20,453	43,358	63,812
Income tax expenses	(939)	(8,193)	(9,132)
Profit for the period/year	19,514	35,165	54,680

* *Figures above are subject to rounding*

The Trailing Period financial information is not subject to "Normalized trailing 12-months earnings" adjustments. As per the Trailing Period financial information provided by V. Success Limited, the non-operating items include foreign exchange losses and gains on disposals of property, plant and equipment. The net amount is around HK$136,316 and is considered as insignificant.

Details of the market value of the Target Group is shown below:

Selected Valuation Multiple (P/E Ratio)		11.89
Subject Financial Performance:		
Net Profit for Trailing 12-months ended 30 June 2017		54,678,842
Implied Market Capitalisation		649,997,450
Add: Control Premium	19.3%	125,449,508
Implied Equity Value after Control Premium		775,446,958
Less: Discount for Lack of Marketability (DLOM)	15.3%	(118,980,060)
Implied Equity Value after Control Premium and DLOM		656,466,898
Market Value of 100% Equity Interest of V. Success Limited (rounded)		656,500,000

Control Premium

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transactions on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

When valuing the Target Company based on Guideline Public Company Method, the level of value is presented on freely traded and non-controlling basis. A premium for control reflects the degree of control associated with a 100% equity interest of the Target Company. To estimate the control premium applicable to the Target Company, we relied on indications of control premium from data on acquisition transactions in the manufacturing industry (Textile Mill Products and Apparel) in 2016/2017, extracted from FactSet Mergerstat Control Premium Study, published in 2nd Quarter 2017.

Based on the research published by Mergerstat Control Premium Study[1], the international control premium median as of the Valuation Date was approximately 19.30%. As indicated by the market data, a 19.30% control premium on equity value level is considered to be appropriate.

Note:

Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and software company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Bassons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In our valuation, we applied an option pricing model to estimate the marketability discount. An investor may purchase an at-the-money put option of similar stock to hedge the current value of the underlying stock or acquiring an at-the-money put option of the underlying shares, so that the investor can dispose the shares by exercising the option. As such, we may estimate the discount by assessing the additional cost to the investor for investing in non-listed shares with liquidity comparable with listed shares. As the time the share of stock in a privately held company become readily marketable is getting shorter, the lower the implied DLOM. In this valuation, DLOM is evaluated as 15.3%.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD).

LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Target Group over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

CONCLUSION OF VALUE

In our opinion, on the basis of the information made available to us, the total market value of 100% equity interest of V. Success Limited as of 25 September 2017 is reasonably estimated at **HKD656,500,000 (HONG KONG DOLLAR SIX HUNDRED FIFTY-SIX MILLION AND FIVE HUNDRED THOUSAND ONLY)**.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Colliers International (Hong Kong) Limited. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
for and on behalf of
Colliers International (Hong Kong) Limited

Freddie Chan
CFA ACCA FRM MRICS
BBA-FIN (Hons)
Senior Associate Director
Valuation & Advisory Services

Vincent Cheung
Registered Professional Surveyor (GP)
BSc (Hons) MBA MHKIS FRICS
Deputy Managing Director
Valuation & Advisory Services — Asia

Notes:

Mr. Vincent K.C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 19 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a fellow member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

Mr. Freddie W.T. Chan oversees the business valuation services of Colliers International (Hong Kong) Limited and has over 8 years of professional experiences in banking, finance, corporate advisory and valuation experiences. He is a CFA® charter holder, a member of ACCA®, a FRM® charter holder as well as a member of The Royal Institution of Chartered Surveyors who expertizes in corporate and intangible valuation sector. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries. Mr. Chan is a member of the Hong Kong Society of Financial Analysts as well.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Authorised:		*HK$*
5,000,000,000	Shares	50,000,000
Issued, fully paid or credited as fully paid:		
2,076,884,000	Shares in issue as at the Latest Practicable Date	20,768,840
200,000,000	Issue and Allotment of Consideration Shares upon Completion	2,000,000
2,276,884,000		22,768,840

3. DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at the Latest Practicable Date, so far as the Directors and chief executives of the Company are aware, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares:

Name of Directors	Nature of interests	Number of Shares held or interested in	Approximate percentage of the issued share capital of the Company *(Note 1)*
Mr. Wong Ting Chung *(Note 2 & 3)*	Beneficiary of a trust Beneficial owner	1,500,000,000 1,500,000	72.22% 0.07%
Mr. Wong Wai Wing, Raymond *(Note 3 & 4)*	Beneficiary of a trust Beneficial owner	1,500,000,000 1,500,000	72.22% 0.07%
Mr. Wong Ting Chun *(Note 3 & 4)*	Beneficiary of a trust Beneficial owner	1,500,000,000 1,500,000	72.22% 0.07%
Mr. Wong Ting Kau *(Note 4)*	Beneficiary of a trust	1,500,000,000	72.22%
Mr. Li Po Sing *(Note 5)*	Beneficial owner	3,500,000	0.17%
Ms. Chan Mei Hing, Aurora *(Note 5)*	Beneficial owner	3,500,000	0.17%
Mr. Tam Wai Hung, David *(Note 6)*	Beneficial owner	2,500,000	0.12%
Ms. Fan Chiu Fun, Fanny *(Note 7)*	Beneficial owner	1,500,000	0.07%
Mr. Kan Chung Nin, Tony *(Note 7)*	Beneficial owner	1,500,000	0.07%
Mr. Ong Chor Wei *(Note 7)*	Beneficial owner	1,500,000	0.07%
Mr. Fan Chun Wah, Andrew *(Note 7)*	Beneficial owner	1,500,000	0.07%
Ms. Lee Bik Kee, Betty *(Note 7)*	Beneficial owner	1,500,000	0.07%

Notes:

1. The approximate percentage of shareholding is calculated based on 2,076,884,000 Shares in issue as at the Latest Practicable Date.

2. Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Assets Limited and therefore is deemed to be interested in the Shares held in the Happy Family Trust under the SFO.

3. Each of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, has a beneficial interest in options granted to him on 29 August 2016 under the share option scheme adopted by the Company on 29 January 2016 (the "**Share Option Scheme**") and which, if exercised in full, would result in the issue to him of 1,500,000 Shares.

4. Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore deemed under the SFO to be interested in the Shares held under the Happy Family Trust.

5. Each of Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora has a beneficial interest in options granted to him/her on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue to him/her of 3,500,000 Shares.

6. Mr. Tam Wai Hung, David has a beneficial interest in options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue to him of 2,500,000 Shares.

7. Each of Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty has a beneficial interest in options granted to him/her on 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue to him/her of 1,500,000 Shares.

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

Save as disclosed below, as at the Latest Practicable Date, so far as the Directors and chief executives of the Company are aware, there are no persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests and/or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

Name	Nature of interests	Number of Shares held or interested in	Approximate percentage of the issued share capital of the Company *(Note 1)*
Nameson Investments Limited *(Note 2)*	Beneficial Owner	1,500,000,000	72.22%
Happy Family Assets Limited *(Note 2)*	Interest in controlled corporation	1,500,000,000	72.22%
East Asia International Trustees Limited *(Note 2)*	Trustee of a trust	1,500,000,000	72.22%
Ms. Wang Kam Chu *(Note 3)*	Interest of spouse	1,501,500,000	72.30%
Ms. Kwan Ying Tsoi, Catherine *(Note 4)*	Interest of spouse	1,501,500,000	72.30%
Ms. Tsoi Suet Ngai *(Note 5)*	Interest of spouse	1,501,500,000	72.30%
Ms. Chan Ka Wai *(Note 6)*	Interest of spouse	1,500,000,000	72.22%

Notes:

1. The approximate percentage of shareholding is calculated based on 2,076,884,000 Shares in issue as at the Latest Practicable Date.

2. Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the BVI used by East Asia International Trustees Limited, the trustee of the Happy Family Trust which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed under the SFO to be interested in the Shares held by Nameson Investments Limited.

3. Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chung.

4. Ms. Kwan Ying Tsoi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond.

5. Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chun.

6. Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Kau.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors and chief executives of the Company are aware, none of the Directors held any directorship or had any employment in a company which has an interest and/or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

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

5. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

Save for the Acquisition, as at the Latest Practicable Date, none of the Directors has, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
Red Sun Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified public accountants
PricewaterhouseCoopers	Certified public accountants
Colliers International (Hong Kong) Limited	Independent valuer

Each of Red Sun Capital Limited, RSM Hong Kong, PricewaterhouseCoopers and Colliers International (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of Red Sun Capital Limited, RSM Hong Kong, PricewaterhouseCoopers and Colliers International (Hong Kong) Limited had any shareholding interests in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of Red Sun Capital Limited, RSM Hong Kong, PricewaterhouseCoopers and Colliers International (Hong Kong) Limited had any interest, directly or indirectly, in any assets which had been, since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any member of the Enlarged Group, or was proposed to be acquired, or disposed of by or leased to any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 March 2017, being the date of which the latest audited financial statement of the Group were made up.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

9. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Chung, as transferor, and the Company, as transferee, pursuant to which Mr. Wong Ting Chung transferred two shares in Nameson Group Limited to the Company at a consideration of HK$124,600,000;

(b) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Kau, as transferor, and the Company, as transferee, pursuant to which Mr. Wong Ting Kau transferred two shares in Nameson Group Limited to the Company at a consideration of HK$124,600,000;

(c) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Chun, as transferor, and the Company, as transferee, pursuant to which Mr. Wong Ting Chun transferred two shares in Nameson Group Limited to the Company at a consideration of HK$124,600,000;

(d) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Wai Yue, as transferor, and the Company, as transferee, pursuant to which Mr. Wong Wai Yue transferred two shares in Nameson Group Limited to the Company at a consideration of HK$124,600,000;

(e) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Wai Wing, Raymond, as transferor, and the Company, as transferee, pursuant to which Mr. Wong Wai Wing, Raymond transferred one share in Nameson Group Limited to the Company at a consideration of HK$62,300,000;

(f) an instrument of transfer dated 1 December 2015 and entered into between Ms. Wong Wai Ling, as transferor, and the Company, as transferee, pursuant to which Ms. Wong Wai Ling transferred one share in Nameson Group Limited to the Company at a consideration of HK$62,300,000;

(g) a promissory note in the principal amount of HK$623,000,000 dated 1 December 2015 and issued by the Company in favour of Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, and Ms. Wong Wai Ling;

(h) a deed of assignment dated 2 December 2015 and entered into between Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Ms. Wong Wai Ling (collectively, the "**assignors**"), Nameson Investments Limited and the Company, pursuant to which the assignors assigned all their rights and interests in the promissory note in principal amount of HK$623,000,000 issued by the Company and dated 1 December 2015 to Nameson Investments Limited ;

(i) a memorandum of agreement dated 14 December 2015 and entered into between Senico Industrial Limited, as vendor, and Hanyi Investments Limited, as purchaser, pursuant to which Senico Industrial Limited transferred all its ownership interests over an industrial premises to Hanyi Investments Limited at a consideration of HK$104,000,000;

(j) an instrument of transfer dated 24 December 2015 and entered into between Winnermax Management Limited, as transferor, and Nameson Group Limited, as transferee, pursuant to which Winnermax Management Limited transferred 100 shares in Senico Industrial Limited to Nameson Group Limited at a consideration of HK$78,000,000;

(k) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group Limited, as transferor, and Winnermax Management Limited, as transferee, pursuant to which Nameson Group Limited transferred 100 shares in Million Right Investments Limited to Winnermax Management Limited in consideration of Winnermax Management Limited transferring seven shares of Senico Industrial Limited to Nameson Group Limited;

(l) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group Limited, as transferor, and Winnermax Management Limited, as transferee, pursuant to which Nameson Group Limited transferred 100 shares in Plenty Asset Investment Limited to Winnermax Management Limited in consideration of Winnermax Management Limited transferring one share of Senico Industrial to Nameson Group Limited;

(m) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group Limited, as transferor, and Winnermax Management Limited, as transferee, pursuant to which Nameson Group transferred 100 shares in Ultra Mount Investments Limited to Winnermax Management Limited in consideration of Winnermax transferring 92 shares of Senico Industrial Limited to Nameson Group Limited;

(n) an instrument of transfer dated 23 December 2015 and entered into between Nameson Group Limited, as transferor, and Winnermax Management Limited, as transferee, pursuant to which Nameson Group Limited transferred one share in Nameson Group Limited (a limited company incorporated in Hong Kong) to Winnermax Management Limited at a consideration of HK$1;

(o) an instrument of transfer dated 23 December 2015 and entered into between Nameson Group Limited, as transferor, and Winnermax Management Limited, as transferee, pursuant to which Nameson Group Limited transferred 100 shares in Nam Tai Industrial (H.K.) Limited to Winnermax Management Limited at a consideration of HK$153,000;

(p) an instrument of transfer dated 3 December 2015 and entered into between Nameson Holdings Limited, as transferor, and Nameson Group Limited, as transferee, pursuant to which Nameson Holdings Limited transferred 60,000 shares in Winner Way Industrial Limited to Nameson Group Limited a consideration of HK$156,000,000;

(q) a promissory note in the principal amount of HK$156,000,000 dated 3 December 2015 and issued by Nameson Group Limited in favour of Nameson Holdings Limited;

(r) a deed of assignment dated 16 December 2015 and entered into between Nameson Holdings Limited, Nameson Investments Limited and Nameson Group Limited, pursuant to which Nameson Holdings Limited assigned all its rights and interests in the promissory note in principal amount of HK$156,000,000 issued by Nameson Group Limited and dated 3 December 2015 to Nameson Investments Limited;

(s) a deed of assignment dated 17 December 2015 and entered into between Nameson Investments Limited, the Company and Nameson Group Limited, pursuant to which Nameson Investments Limited assigned all its rights and interests in the promissory note in principal amount of HK$156,000,000 issued by Nameson Group Limited and dated 3 December 2015 to the Company;

(t) a promissory note in the principal amount of HK$342,000,000 dated 12 December 2015 and issued by Winner Way Industrial Limited in favour of Nameson Holdings Limited;

(u) a deed of assignment dated 13 December 2015 and entered into between Nameson Holdings Limited, Nameson Investments Limited and Winner Way Industrial Limited, pursuant to which Nameson Holdings Limited assigned all its rights and interests in the promissory note in principal amount of HK$342,000,000 issued by Winner Way Industrial Limited and dated 12 December 2015 to Nameson Investments Limited;

(v) a deed of assignment dated 14 December 2015 and entered into between Nameson Investments Limited, the Company and Winner Way Industrial Limited, pursuant to which Nameson Investments Limited assigned all its rights and interests in the promissory note in principal amount of HK$342,000,000 issued by Winner Way Industrial Limited and dated 12 December 2015 to the Company;

(w) an instrument of transfer dated 23 December 2015 and entered into between Nameson Holdings Limited, as transferor, and Nameson Group Limited, as transferee, pursuant to which Nameson Holdings Limited transferred 60,000 shares in Kingmax Industrial Limited to Nameson Group Limited at a consideration of HK$60,000;

(x) an instrument of transfer dated 23 December 2015 and entered into between Mr. Lau Ka Keung, as transferor, and Nameson Group Limited, as transferee, pursuant to which Mr. Lau Ka Keung transferred 100 shares in Bonny Limited to Nameson Group Limited at a consideration of HK$2,000,000;

(y) a cornerstone investment agreement dated 22 March 2016 entered into among the Company, Fast Retailing Co., Ltd., CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Fast Retailing Co., Ltd. agreed to subscribe at the offer price such number of Shares as may be purchased with an aggregate amount of JPY 1 billion;

(z) a cornerstone investment agreement dated 22 March 2016 entered into among the Company, Shima Seiki MFG., Ltd., Shima Seiki (Hong Kong) Ltd., CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Shima Seiki MFG., Ltd. and Shima Seiki (Hong Kong) Ltd. agreed to subscribe at the offer price such number of Shares as may be purchased with an aggregate amount of US$5 million;

(aa) a cornerstone investment agreement dated 18 March 2016 entered into among the Company, Talent Charm Limited, CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Talent Charm Limited agreed to subscribe at the offer price such number of Shares as may be purchased with an aggregate amount of US$5 million;

(bb) a deed of indemnity dated 24 March 2016 entered into by the controlling shareholders of the Company in favour of the Company pursuant to which the controlling shareholders agree to indemnify the Group in respect of any claims, fines and liabilities in relation to any regulatory non-compliance before listing;

(cc) a deed of non-competition dated 24 March 2016 entered into by the controlling shareholders of the Company in favour of the Company pursuant to which the controlling shareholders procure that they will not be involved in any business which may be in competition with the businesses of the Group;

(dd) a conditional public offer underwriting agreement (the "**Hong Kong Public Offer Underwriting Agreement**") dated 29 March 2016 relating to the Hong Kong public offering entered into by, among others, the Company and the Hong Kong Public Offer Underwriters;

(ee) a conditional placing and underwriting agreement (the "**International Underwriting Agreement**") dated 6 April 2016 relating to the international offering entered into by, among others, the Company and the international underwriters;

(ff) a price determination agreement dated 6 April 2016 relating to the offer price per offer share under the Hong Kong Public Offer Underwriting Agreement and the International Underwriting Agreement;

(gg) a share transfer agreement dated 3 April 2017 entered into between the Purchaser and the Vendor in relation to the acquisition of the entire issued share capital of Champ Gear Investments Limited; and

(hh) the Share Transfer Agreement.

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Tao Chi Keung, a fellow and practicing Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also the chief financial officer of our Group.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company is located at Units A–C, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.

(d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 10:00 a.m. to 4:00 p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the principal place of business of the Company in Hong Kong at Units A–C, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the Share Transfer Agreement;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) the annual reports of the Company for the two years ended 31 March 2016 and 2017;

(e) the accountants' report on historical financial information of V. Success Group prepared by RSM Hong Kong, the text of which is set out in Appendix II to this circular;

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

(g) the valuation report prepared by Colliers International (Hong Kong) Limited, the text of which is set out in Appendix V to this circular;

(h) written consents referred to in the paragraph headed "Expert and Consent" in this appendix; and

(i) this circular.

南旋控股有限公司
NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1982)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of Nameson Holdings Limited (the "**Company**") will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 11 December 2017 at 10:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) subject to the fulfillment of the terms and conditions set out in the share transfer agreement (the "**Share Transfer Agreement**", a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) dated 28 September 2017 and entered into between (i) Nameson Group Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company; and (ii) Mr. Wong Ting Chung (the "**Vendor**") in relation to the proposed acquisition (the "**Acquisition**") of the entire issued share capital of V. Success Limited (the "**V. Success**") by the Purchaser from the Vendor, at the consideration of HK$550 million which shall be satisfied by cash and the issue and allotment of Consideration Shares (as defined below) at completion of the Acquisition, the Acquisition and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of 200,000,000 ordinary shares of HK$0.01 each in the issued share capital of the Company (the "**Consideration Shares**") at an issued price of HK$1.72 per Consideration Share to the Vendor in accordance with the Share Transfer Agreement be and is hereby approved, confirmed and ratified; and

(c) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Acquisition and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Consideration Shares to the Vendor."

By Order of the Board
Nameson Holdings Limited
Mr. Tao Chi Keung
Company Secretary

Hong Kong, 24 November 2017

Notes:

1. The resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow the resolutions which relate to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 6 December 2017 to Monday, 11 December 2017, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 December 2017.

3. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (if holding two or more shares) to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5. If typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 7:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on its website (www.namesonholdings.com) and designated website of the Stock Exchange (www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Board comprises Mr. Wong Ting Chung BBS, JP (Chairman and chief executive officer), Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, as executive Directors; Mr. Tam Wai Hung, David, Mr. Wong Ting Kau, Mr. Wong Wai Yue and Mr. Lau Ka Keung MH, JP, as non-executive Directors; Ms. Fan Chiu Fun, Fanny GBM, GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew JP and Ms. Lee Bik Kee, Betty, as independent non-executive Directors.