
RISK FACTORS

You should carefully consider all of the information in this document, including the following risk factors, before making any [REDACTED] decision in relation to the [REDACTED]. Our business, financial condition, results of operations, performance and/or prospects could be materially and adversely affected by any of these risks. The market price of the [REDACTED] could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED]. The risks and uncertainties described below are not the only risks and uncertainties we face. In addition to the risks described below, there may be other risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future become material risks. The risks discussed below may also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business and industry; and (ii) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely heavily on partnership with our major customers

For each of FY2020/21, FY2021/22 and FY2022/23, the revenue derived from our five largest customers amounted to HK\$1,569.6 million, HK\$1,872.9 million and HK\$1,823.1 million, respectively, which in aggregate accounted for 91.4%, 85.9% and 88.2% of our total revenue for the corresponding financial years. In particular, the revenue derived from our largest customer, Duluth, an American casual wear, workwear and accessories company with over 60 stores and an online presence, amounted to HK\$1,094.8 million, HK\$1,327.5 million and HK\$1,399.4 million, respectively, representing 63.7%, 60.9% and 67.7% of our total revenue for the corresponding financial years. See “Business — Sales and our customers — Customer concentration” in this document for further details in relation to the reasons for customer concentration.

Although we have established long-term business relationships with a number of our major customers, such as Duluth which we have been working with for close to 15 years, we did not enter into any long-term agreement with them and purchases are made on an order-by-order basis from our customers. According to Euromonitor, it is not uncommon in the industry for not entering into any long-term agreement with the customers as this could provide the industry players with more flexibility on price quotation and development of styles. Hence, as the demand for our service by our major customers may be affected by a number of factors which are outside our control, such as changes in their business model, business trend, responsible personnel, sourcing policies or global economic situation, we cannot assure you that our major customers will place

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sales orders on the comparable or similar commercial terms and at the same or increasing level or volume, or at all. Also, without the long-term agreement, there is no assurance that the actual sales order of our customers will be consistent with our expectation or forecast. Any postponement, reduction or cancellation of sales orders by any of our major customers may lead us to deviate from our forecast plan, and subject us to the risk of uncertainty and potential volatility in respect of our revenue.

In addition, if our major customers substantially reduce the volume and/or value of their sales orders with us, or cease to conduct business with us, there is no assurance that we will be able to secure new business opportunities from new or potential customers, or increase our volume of business with our other existing customers, so as to make up for such loss of sales. Even if we will be able to obtain other orders, we cannot assure you that such orders will be on commercially comparable terms with our existing major customers. Any material decrease or changes in sales orders from our major customers may therefore adversely and materially affect our business, results of operations and financial condition.

Our customers are mainly headquartered in U.S. and any event negatively affecting U.S. market could have an adverse effect on us

During the Track Record Period, close to all of our customers are headquartered in U.S.. For each of FY2020/21, FY2021/22 and FY2022/23, our revenue derived from our customers which are headquartered in U.S. amounted to HK\$1,715.4 million, HK\$2,180.4 million and HK\$2,067.1 million, respectively, representing 99.8%, 100.0% and 100.0% of our revenue for the corresponding financial years. Any changes to the current relevant government policies by U.S. Government may bring uncertainty to the global economy and/or political environment, hence may consequently cause an adverse effect to our business, financial condition, result of operation and prospects. For example, U.S. Government may impose a higher tariff or duties on the goods imported from the PRC. If such policy or any policies with similar nature is implemented and if we fail to pass on all or part of such increased tariff or duties to our customers, our business, financial condition and future operations could be adversely affected.

Furthermore, if there is a significant decrease in the sales orders from our customers that are headquartered in U.S. due to the newly implemented policies which affect our customers' operations or businesses, we cannot guarantee you that we can increase sales orders from other markets or engage new customers to replace the loss of sales from such customers. This could materially and adversely affect our business operations and financial condition in the future.

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Fluctuations in consumer spending caused by changes in macroeconomic conditions may materially and adversely affect our business operations, financial condition, results of operations and prospects

The engagement of our customers for our apparel supply chain management solutions and our D2C logistics services, and the relevant quantities of orders they place with us will be heavily influenced by the spending habits of their consumers. In particular, the consumer spending habits would likely be influenced by the macroeconomic conditions, and any changes and development in the global political, economic and financial conditions that affect the macroeconomic conditions will in turn affect the spending pattern of the end-consumers. For instance, if the demand from the end-consumers is low, our customers which are mainly companies engaging in the apparel industry may experience significant reduction in purchase orders and pricing pressure from their consumers. They may in turn decrease the volume of purchase orders from us, and our business operation, financial condition, results of operations as well as future development prospects may adversely be affected.

We may fail to anticipate and respond in a timely manner to rapid changes in fashion trends and consumer preferences, which may result in an adverse effect on our business and results of operations

As a one-stop apparel supply chain management solutions provider, we offer product development services to our customers which include the services of product design and sample development and technical package development with reference to the requirements and specifications provided by our customers. Our Directors are of the view that the ability of our product design and development team to understand and keep abreast of the latest fashion trend in the respective apparel retail market of our customers, and design desirable apparel products which suit the changing preferences of the end-consumers has contributed to our success in the industry. However, due to the highly subjective nature of apparel designs, the rapid changes in fashion trends, and the constant changes of consumer preferences for apparel products, we may not be able to anticipate or respond to the current fashion trend and consumer preferences in a timely manner. Any misjudge of market preference may lead us to fail to produce appealing and commercially viable designs and products for our customers. As a result, our business, results of operations and financial condition could be adversely and materially affected.

We depend on third-party contract factories for the production of apparel products

All of apparel products we provided under our apparel supply chain solutions to our customers during the Track Record Period were produced by our contract factories. During the Track Record Period, we engaged over 50 contract factories for production, respectively. See “Business — Procurement and suppliers — Contract factories” in this document for further

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details. Although we entered into general vendor agreements with the contract factories once we have started the collaboration with them, we cannot guarantee you that the contract factories will act and produce the products in accordance with the terms of the general vendor agreement or the purchase orders. We cannot assure you that there will not be any unfavourable changes in our current arrangements with our contract factories, such as substantial increment in price for the purchase orders, substantial reduction of production capacity or quantities supplied, or substantial deterioration of the quality of the products produced.

As some of our contract factories are located in countries such as Honduras, Guatemala and Mexico in North America, Vietnam, Indonesia and Pakistan in Southeast Asia and Egypt in Africa with relatively unstable and constant-changing political conditions, interruptions of productions for such contract factories due to uncontrollable political changes may occur. If we are not able to source or locate alternative contract factories for replacement in a timely manner or at all, our delivery schedule might be delayed and we may be required to indemnify the loss of our customers accordingly. Hence, our business operation and profitability may be adversely affected.

Moreover, we cannot assure you that the products produced by our contract factories could fully comply with the requirements and specifications for each of our purchase orders. If the products produced by our contract factories do not satisfy the quality standards or our customers’ specifications, we may be required to amend or reproduce the products which may lead to the increase of cost for production and provision of products to our customers on a delayed basis, or even cancel our product offering, any of which may harm our reputation and our relationships with our customers and potentially expose us to litigation and damage claims.

In addition, we cannot assure that our contract factories will be fully in compliance with the applicable and changing laws and regulations in the relevant jurisdictions and environmental and social responsibility requirements set by us and/or our customers, or are equipped with sufficient sensitivity to the constant changing social responsibility standards. See “Business — Procurement and suppliers — Contract factories — Selection and evaluation of contract factories” in this document for further details in relation to the selection criteria of our contract factories. Any infringement of laws and regulations by our contract factories may expose us to potential litigation, penalty or disputes with our customers, which may lead to the deterioration of our reputation and in turn affect our business, financial conditions and results of operations.

We rely on third-party logistics service providers to deliver our products to our customers and the end-consumers of our customers

We provide logistics and customs management services as part of our apparel supply chain management solutions and assist our customers to transport the finished products to the designated locations. In addition, we also provide extended D2C services under our apparel supply chain

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management solutions and standalone D2C logistics services to our customers. In particular, we rely on the third-party logistics service providers for various procedures throughout our D2C logistics services. See “Business — Our services — Apparel supply chain management solutions — Logistics and customs clearance” and “Business — Our services — D2C logistics services” in this document for further details. However, since we do not have any direct control over our third-party logistics service providers, we cannot guarantee their quality of services and whether they are able to deliver the products on time. If there is any delay in delivery, damage to the products during the delivery, product loss or any other issues, our corporate image and reputation could be damaged. Hence, our business, results of operations and financial condition could be adversely affected.

Moreover, disputes with or termination in our relationship with the third-party logistics services providers could result in delayed delivery of products or increase our cost. We cannot guarantee you that we are able to sustain and continue our relationship with the current third-party logistics services providers on similar commercial terms, or we will be able to establish relationship with new logistics services providers that provide accurate, timely and cost-efficient delivery services. Any such failure may lower our ability to transport the products to the designated location of our customers on a timely basis, or at prices acceptable to our customers, which may in turn affect our business operation and reputation.

Fluctuation in the price, quality and availability of raw materials and labours could negatively affect our suppliers’ production and delivery of services

We generally instruct our contract factories to procure raw materials for production from third-party raw materials suppliers, and our business is dependent on our contract factories’ ability to source sufficient and suitable supply of raw materials that meet our and our customers’ requirements and specifications, including quality, quantity, price and time of delivery. However, the price, quality and availability of raw materials may be affected by various factors that are beyond the control of us and our contract factories, including the lock-down of certain areas or cities around the world due to the containment measures imposed by relevant government authorities to curb the outbreak of COVID-19 or other diseases, natural disasters such as flood, earthquake and droughts, climate conditions, economic conditions, customer demand and governmental regulations.

In addition, we bear the cost of raw materials and labour cost indirectly as part of the cost for the finished goods. Any pressure by the relevant governments in which our contract factories or suppliers situated in to increase the minimum wage of workers in the apparel-making factories or to improve the working conditions of the workers could increase the operating costs of our contract factories and suppliers. The increase in operating cost may then be passed on to us through an increase in purchase costs. Thus, if we are not able to control our costs or pass on such

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additional costs to our customers, or allocate such production work to other contract factories with similar experience and quality at comparable terms located in other countries, our business operation, financial condition and results of operations would be materially affected.

Failure to maintain an effective quality control mechanism may adversely affect our reputation, our business and results of operations

The quality of our apparel products and services are fundamental to the success of our business, and we are committed to delivering quality products to our customers. In general, we believe that the quality of our apparel products depends significantly on the effectiveness of our quality control system and procedures, which in turn depends on a number of factors such as the calibre our contract factories, and our ability to ensure that our contract factories adhere to our quality management guidelines. See “Business — Quality control” in this document for further details. Yet, we cannot guarantee that our quality control system and procedures will continue to be effective. Any significant failure in or deterioration of the efficacy of our quality control systems may bring material impact to the quality of our products and affect the confidence of our customers towards us, which may in turn adversely affect our reputation, business, financial condition and results of operations.

Product liability and product recall may adversely affect our business, results of operations and financial condition, and in turn adversely harm our reputation

We aim to ensure that the products produced by our contract factories are safe and bear the appropriate safety warning labels depending on the nature of product in question and the requirements of our customers. In particular, on-site inspection is carried out on a regular basis by our technical support team, independent contractors or third-party inspection companies at our contract factories to assess the quality and functionality of the products, and ensure that the quality and functionality of products meet our customers’ standards and specifications and our internal requirements. However, there is no assurance that we are able to effectively control the quality and functionality of products manufactured by our contract factories, or that the products manufactured by our contract factories will not cause or have the risk of causing harm at any point in a way that expose us to liability and/or requires us to undertake a product recall. Our business, results of operations, financial condition and our reputation may be materially and adversely affected if we experience any event of product recall or expose to any allegation that the products produced by us are defective. Even if the product recall is proved to be unfounded or if a product liability claim against us was unsuccessful or not being fully pursued, our reputation in the industry and our brand image among our existing and potential customers could be materially affected.

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Trade restrictions, trade barriers, increased inspection procedures, tighter import and export controls and potential new tariffs imposed by U.S. or other countries could materially and adversely affect our business, financial condition and results of operations

During the Track Record Period, close to all of our customers are headquartered in U.S.. Hence, any trade restrictions or trade barriers such as anti-dumping duties, new tariffs or quota fees imposed by U.S., and the escalation of the US-Sino trade dispute involving apparel products or products we handle under our standalone or extended D2C logistics services could significant affect the price of relevant products. Changes to trade policies, treaties and duties in U.S. and other countries which our contract factories situated in, or the perception of these changes would occur, could adversely affect the financial and economic condition of such country, which will in turn may materially affect our business and financial condition.

In particular, during the Track Record Period, U.S. Government has imposed several rounds of import tariffs on products from the PRC, and a portion of our PRC-manufactured products being exported to U.S. are subject to additional import tariff. See “Business — Impact of the US-sino trade on our business” in this document for further details. We cannot assure you that the import tariffs imposed by U.S. will not increase to a higher level in the future, or if any retaliatory actions may be taken by the PRC in response to the increased tariff. If we are not able to pass the additional costs incurred due to the increase in tariffs to our customers headquartered or located in U.S., our profit margin could be adversely affected. Furthermore, the uncertainty on trade restriction policies resulting from the political tension and trade war may cause difficulties for some customers to project their purchasing plans and may cause them to reduce their sales orders from us. Any occurrence of these situations could materially and adversely affect our business, financial position and results of operations.

Tension between U.S. and the PRC could have an adverse effect on our business, results of operations, financial condition and future performance

Since majority of our customers are headquartered in U.S., any changes to the current relationship between U.S. and PRC Governments may affect the general economic policies apply by these two countries and may in turn affect the business relationship and trade environment of both countries. In particular, there have been political matters that resulted in increased tensions between U.S. and the PRC, and the PRC and U.S. Governments have implemented, and may further implement, measures in response to new trade policies, treaties or tariffs. Any further escalation in tensions between the PRC and U.S., or the perception that such escalation of tension could occur, may have negative impact on our business operations. In addition, the amount of sales orders from our customers headquartered in U.S. may fluctuate with reference to the economic policies and relationship between the governments, which is beyond our control. We cannot assure you that we

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are able to increase our sales orders from other markets or engage new customers to replace the loss of sales from such customers on time, which could materially and adversely affect our business operations and financial condition in the future.

We may be subject to additional tax liabilities imposed by the IRD, which could have a negative impact on our financial conditions and results of operations

In February 2020, the Inland Revenue Department of Hong Kong (the “**IRD**”) issued a letter indicating the IRD was reviewing CFL Enterprise’s tax matter. See “Business — Transfer pricing arrangement — Former export arrangements prior to the Track Record Period — IRD review” in this document for further details. In particular, even though we have duly purchased the tax reserve certificates and make provisions for the estimated amount to be charged by the IRD, we cannot assure you that the IRD will not charge additional profits tax on us after completion of the tax review. In addition, as a number of judgements and interpretations as to the meanings and applications of the relevant tax laws have to be made, and applications of estimations are required when computing the amount of tax, the amount of tax computed by us may vary from the amount of tax computed by the IRD. If the final determination by IRD are materially different from our calculations, we may face adverse tax consequences. Any material penalty or significant amount of additional Hong Kong profits tax will bring negative effect to our business reputation, thus may adversely affect our financial conditions and our results of operations.

Our business operations may be subject to transfer pricing adjustment

During the Track Record Period, we adopted transfer pricing arrangement among our key operating subsidiaries which situate in U.S., Hong Kong and the PRC, and our cross-border intragroup transactions mainly included rendering of operation support services including marketing support, treasury, logistics, product design, back office support and other services, and sales of apparel products between our Hong Kong subsidiaries and U.S. subsidiaries. See “Business — Transfer pricing arrangement — Transfer pricing arrangement during the Track Record Period” in this document for further details.

Our financial position and results of operations may be adversely affected if our tax position is subject to review and possible challenge by the tax authorities in U.S., Hong Kong and the PRC. Although our Directors have reviewed and assessed the risk of transfer pricing when preparing our financial information, and are of the view that we have grounds to defend against possible challenges from the tax authorities, there is no assurance that we will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes or modifications to the existing operation procedures of our transfer pricing arrangements. Any determination of income reallocations or modifications of

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the relevant transfer pricing-related laws and regulations could result in an income tax assessment and charges on the portion of income deemed to be derived from the taxing jurisdiction, which may reallocate or modify our revenue and profit derived from the relevant subsidiaries.

We are exposed to credit risks due to our business arrangement with our customers

Depending on the length of business relationship with our customers, we generally grant our customers a credit period of seven to 90 days upon goods delivered. As at 31 March 2021, 2022 and 2023, our trade receivables from our customers amounted to HK\$228.8 million, HK\$381.5 million and HK\$111.1 million, respectively. We cannot assure you that our customers will pay us on time and that they will be able to completely fulfil their payment obligation. In particular, the information obtained through the credit check on our customers prior to the new engagements or the annual financial information obtained from our existing customers may not be thorough or sufficient in discovering and understanding the actual financial situation of our customers. As a result, if any of our major customers experiences any financial difficulty and fails to settle the outstanding amount due to us with the agreed credit terms, our working capital position could be adversely affected provisions for impairment or write-offs may be required for trade receivables, which will in turn adversely affect our profitability for the relevant period. Our business, results of operations and financial condition could be affected in such circumstances.

There are time lags between making payments to our suppliers and receiving payments from our customers

Time lags between making payments to our suppliers and receiving payments from our customers may occur as we generally provide a credit period of seven to 90 days upon the goods delivered to our customers, whereas we may be required to pay immediately or within a shorter credit period to our suppliers. In some occasions, we may require sales proceeds from our customers in order to settle our trade payables to our suppliers. There is no assurance that our customers will make payment on time and in full. Thus, if we fail to properly manage our exposure from such cash flow mismatch or if we experience any difficulty in collecting a substantial portion of trade receivables from our customers, our cash flow and financial position could be materially and adversely affected. Our reputation may also be materially damaged if we fail to pay our suppliers on a timely manner in accordance with the credit terms.

We are subject to foreign exchange risks arising from our business operations

Although we mainly trade in U.S. currency with our customers and suppliers, some of our transactions and payments such as the payment of remuneration to our staff at the representative offices and rental expenses are denominated in various other foreign currencies, for example RMB, Vietnamese Dong and Indonesian Rupiah. Even though HK\$ is pegged to US\$, we are still

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exposed to risk associated with the exchange rate fluctuation between RMB, Vietnamese Dong and Indonesian Rupiah with US\$. We have not entered into any agreements to hedge our exchange rate exposure during the Track Record Period and there is no assurance that we will be able to enter into such agreements on commercially viable terms in the future. Moreover, there is no assurance that the exchange rate of US\$ to the other foreign currencies will not fluctuate significantly in the future, which may have an adverse effect on our financial condition and results of operations.

Our insurance coverage may be inadequate to protect us from all potential loss

Certain risks associated with the operation of our business may not be adequately or fully covered by our insurance as such insurance is either not available or not available on commercially reasonable terms. See “Business — Insurance” in this document for further details of our insurance coverage. Furthermore, our reputation may be damaged or we may be exposed to liability in excess of our insurance coverage or suffer loss depending on the severity and frequency of various events, such as accidents and business interruption, labour disputes, and acts of God. We cannot assure you that the loss arising from these or any other events would be sufficiently covered by insurance or that we will be able to renew existing our insurance cover on commercially reasonable terms. We may be liable for financial obligations relating impacted people or property if an incident occurs in relation to which we have inadequate insurance cover or have no insurance cover. Any payment we make to cover any loss, damage, or liability could have a material adverse effect on our business, results of operations and financial condition. If we fail to make such payment, our assets or goods maybe subject to attachment, confiscation, or restraint under various judicial procedures. Our business, results of operations, and financial condition could be adversely and materially affected by any of these occurrences.

One of our leased properties is not used for the permitted usage under the building ownership certificate and we may be subject to challenge, proceedings or other actions taken against us with respect to these properties

As at the Latest Practicable Date, the current usage of one of our leased properties in the PRC is inconsistent with its permitted usage as we plan to use the leased property as office while its permitted usage under the building ownership certificate is industrial. See “Business — Properties — Inconsistency with permitted use” in this document for further details.

We may be subject to challenge, proceedings or other actions taken against us with respect to such property, and may also be forced to vacate from such property and relocate our operations if the inconsistency with the permitted usage prevent us from continuing the lease. Further, we cannot assure that we are able to find suitable replacement property on same or similar commercial

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terms for our operations in a timely manner. If we are subject to any material liability resulting from challenges or proceedings for our lease of property, our business, financial condition and results of operations may be materially and adversely affected.

Loss of our key management and inability to attract and retain management staff will adversely affect our business and results of operations

The success of our business has been, and will continue to be, dependent upon the ongoing service of our senior management team. We have built an experienced management team, who are committed to improving and maintaining operational excellence by utilising their extensive knowledge in apparel supply chain management solutions, and we rely on their expertise and experience in developing business strategies, business operation, sales and marketing and maintaining relationship with our customers and suppliers. See “Directors and Senior Management” in this document for further details of the background and working experience of our senior management. If we lose the service of any of our senior management, we may not be able to find a suitable replacement with comparable knowledge and experience in a timely manner, and our business, financial conditions and results of operations maybe materially and adversely affected. Furthermore, although we have set up a management succession plan in view of the age of two of our Board members, namely Mr. Choi and Mr. Frey who are both over 70 years old, the transition of the role for our senior management may not run as smooth as we planned, and our business operations of the Group may be interrupted during the transitional period.

In addition, our success depends on our ability to attract and retain talented personnel. We may not be able to attract or retain all key personnel, and may need to offer better remuneration or benefits in order to attract and retain key personnel. Hence, we are not able to guarantee that we will have the sufficient resources to fully achieve our staffing needs to sustain our business growth, or that our staff expenses may increase significantly. Failure to attract or retain competent personnel and any increase in the staffing expense may bring adverse impact to our ability in maintaining our competitiveness and affect the growth of our business, which could in turn materially affect our business, financial condition and results of operations.

We operate in a competitive market and the intense competition we face from our competitors may lead to a decline in our market share and lower profit margins

According to Euromonitor, the apparel supply chain management market in Hong Kong is highly concentrated with a limited number of players, and the domination of top players in the industry has forced smaller players to compete intensively for market shares. Similar to us, our competitors in the industry endeavour to increase their market shares through various measures such as continuous expansion and development and some of our competitors are of larger scale than us and have greater financial resources to compete. In particular, our competitors in the

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industry compete on, among other things, product quality, technical expertise, price and ability to meet delivery commitments of customers. In addition, customers are continuously demanding higher quality, shorter lead times and lower price from the apparel supply chain management solutions providers. As a result, our continuous success in the industry depends on our ability to maintain an efficient, timely and cost-effective service while delivering high-quality products. If we fail to do so, we may lose our market share to other competitors or we may even be forced to reduce our price and further increase expenditures to meet our customers’ requirements and standards. This may in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully implement our business objectives and future strategies

We plan to achieve our business growth by implementing a series of strategies, such as acquiring businesses possessing strong technical know-how for the continual expansion of our portfolio of product capabilities of apparel supply chain management business, acquiring businesses possessing additional customer networks and logistics capabilities to enlarge our customer and supplier base of D2C logistics service business, and recruiting talents to support the emerging business opportunities and enhancing our competitiveness. See “Business — Our business strategies” and “Future Plans and [REDACTED]” in this document for further details. There is no assurance that we will be able to implement any of our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market, economic and political conditions. Our plans for development and business expansion are formulated based on assumption on the occurrence of certain future events, which may or may not materialise. The success of our potential acquisition and investment will also depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms and the availability of financing to complete the investments, as well as our ability to obtain any required shareholder or government approvals. Furthermore, there is no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from the implementation of our business strategies may not be sufficient to justify the start-up expenses and the increased operating costs.

We may not be able to sustain our historical financial performance and may encounter difficulties in sustaining profitability

For each of FY2020/21, FY2021/22 and FY2022/23, our total revenue amounted to HK\$1,718.3 million, HK\$2,180.4 million and HK\$2,067.1 million, respectively. Our gross profit amounted to HK\$266.7 million, HK\$304.5 million and HK\$325.6 million for the corresponding financial years and our gross profit margin was 15.5%, 14.0% and 15.8%, respectively. Furthermore, our return on equity amounted to 38.9%, 15.3%, and 25.9% for each of FY2020/21, FY2021/22 and FY2022/23, respectively. See “Financial Information — Key financial ratios” in

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this document for further details of our historical financial performance. However, our revenue, profit and return on equity during the Track Record Period may not be indicative of our future performance and we may encounter difficulties in sustaining our current profitability. Our future revenue and profitability depend on a number of factors, including the successful implementation of our future plans as stated in “Future Plans and [REDACTED]” in this document. Our gross and net profit margins also depend on factors including the demand and sales of our customers and their end-consumers which are outside our control, thus we cannot assure you that we will be able to maintain the current level of profit margins in the future. [REDACTED] should be aware that we can offer no assurance that we will be able to increase or maintain our historical revenue, profit levels or return on equity.

Our sales may be subject to seasonal fluctuation

We have historically experienced and expects to continue to experience seasonality due to the nature of our operation. See “Business — Sales and our customers — Seasonality” in this document for further details. Therefore, our operating results for a certain period within a financial year, or between any interim periods, may not be taken as an indication of our performance for the entire financial year. Hence, [REDACTED] should be aware of this seasonal fluctuation when making any comparison of our operating results.

If we fail to properly protect the product designs and intellectual property rights of our customers’ brands, our reputation, business and results of operations may be adversely affected

Our success depends on our ability to protect the product designs and intellectual property rights of our customers’ brands, such as the trademarks, designed patterns or fabrics, and branded logos owned by our customers. Yet, we cannot guarantee that the product design, trademarks, designed patterns or fabrics, branded logos or other intellectual property rights that we have access to or created for our customers during the process of our engagement will not be misappropriated despite the precaution measures that we have taken to protect the rights. See “Business — Intellectual property rights” in this document for further details. In situations that our internal policies or precaution measures fail to safeguard our customers’ product designs and intellectual property rights, our customers may cease to engage our product development services, reduce or discontinue their sales orders with us or even take legal actions against us. Our reputation, business and results of operations could in turn be adversely affected.

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We may be involved in intellectual property rights infringement litigation initiated by third parties, which may adversely affect our business and results of operations

As at the Latest Practicable Date, we were the registered owner of (i) one trademark in Hong Kong; and (ii) one domain name. See “Statutory and General Information — B. Further information about our business — 2. Material intellectual property rights” in Appendix IV to this document for further details. We cannot assure you that the steps we have taken to protect and safeguard our intellectual property rights are adequate or that our intellectual property rights will not be infringed by any third-party in the future. We may resort to legal proceedings in order to protect and enforce our intellectual property rights, which may be costly and could have adverse impact on our business, results of operations and financial condition.

In addition, there is no assurance that our business operations do not or will not inadvertently infringe the trademark, design, copyright or other intellectual property rights of third-parties or become a party to such dispute. The exact determination of the scope of trademark, design, copyright or other intellectual property rights can be complex and costly. In the event that we have infringed the intellectual property rights of third parties, they may initiate litigation or other proceedings against us for the alleged infringement. Intellectual property disputes may last for a significant period of time and require considerable personnel and financial resources. If the outcome of such a legal dispute is adverse to us, we could be ordered to pay substantial licence fees, royalties and/or damages. Any infringement of third-party copyrights or other intellectual property rights or any lawsuits relating thereto could have a material adverse effect on our business, results of operations, financial condition and reputation.

We rely on information technology systems to monitor and control the provision of our services and protect the information and data of end-consumers of our customers.

Our ability to effectively monitor and manage our apparel supply chain management solutions and D2C logistics services is dependent on our information technology systems, particularly our LPM system and ERP system. Our LPM system facilitates the service and communication with our e-commerce customers by allowing us to receive the orders details from the end-consumers of our customers, and the status of shipment, inventory and billing of our customers, whereas our ERP system facilitates us to oversee the processes of product planning, cost management, procurement, logistics management and billing. See “Business — Information technology system” in this document for further details. Furthermore, we may handle sensitive and personal information such as name and telephone number relating to the end-consumers of our customers throughout our provision of standalone or extended D2C logistics services by using our LPM system. Confidential information transmitted to us by our customers through our LPM system may be compromised as a result of security breaches, attack on our systems by third parties, system errors, human errors, or computer viruses affecting our information technology system.

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In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire and natural disaster. We may encounter cyber-attack against our systems in which our anti-virus software and systems may not be able to detect or fully defend against, which may lead to leakage of information and data of our end-consumers. We cannot assure you that our measures for data protection will be successful and sufficient to counter all current and emerging technology threats to the security of our information technology system. Any concerns about our processing of information of data of the end-consumers, security or use of personal data or other privacy-related matters, even if ungrounded, could have an adverse impact on our reputation, and any damage, interruption or cyber-attack to our information technology systems could prevent us to continue our business operations, paying our suppliers, contract factories or employees, receiving payments from our customers, or performing other services as required on a timely manner. In addition, we may need to incur unexpected and unplanned capital expenditures to solve the issues or restore our information technology systems. Hence, our business, financial condition and efficiency of our services could be adversely affected.

Any future occurrence of force majeure events, natural disasters, epidemics or pandemics such as the outbreak of COVID-19, acts of terrorism, wars or other events may materially and adversely affect our business, financial condition and results of operations

Similar to many other businesses, our operations could be adversely affected or disrupted by any future occurrence of terrorist attack, natural disasters such as earthquake, flood, fire, typhoons or other natural disasters, outbreak of contagious diseases such COVID-19 or other force majeure events including but not limited to (i) invasion, act of foreign enemies, rebellion, revolution, insurrection, military or usurped power, war and radio-active contamination; (ii) riot or commotion; (iii) denial of the use of any railway, port, airport, shipping service other means of public transport; and (iv) strike or lock-out or other industrial action by employees.

The outbreak of COVID-19 in the world since late 2019 and the classification of COVID-19 as a pandemic by the World Health Organisation in March 2020 has led to public health and safety concerns and the implementation of certain policies by government authorities to safeguard the health and safety of the general public and to limit the potential impact of the outbreak of COVID-19. As a result of health and safety concerns over the outbreak of COVID-19 and the implementation of the policies, the operations and productions of some of our contract factories have been temporarily suspended in accordance with the measures imposed by the local governments. The export and delivery of finished goods were also temporarily delayed due to congestions at the ports. See “Business — Impact of the outbreak of COVID-19” in this document for further details.

RISK FACTORS

Although the outbreak of COVID-19 has been gradually contained since the end of 2022 around the world, we cannot guarantee that the COVID-19 outbreak will not worsen again in the future. In addition, notwithstanding the precautionary measures implemented by us, there is no assurance that the staff or employees employed by our suppliers would not be infected by COVID-19 and our business operations may be adversely affected as a result. Furthermore, the outbreak of other diseases or epidemics such as Severe Acute Respiratory Syndrome (SARS), Ebola virus disease, Middle East Respiratory Syndrome Coronavirus (MERS), H1N1 influenza, H7N9 influenza or swine influenza around the world, or a general apprehension of such outbreaks might have short term impact on the apparel supply chain management solutions market. Recurrence of any contagious or infectious disease or epidemic or a general apprehension of such outbreaks around the world may cause disruption of economic activities and our customers’ business operations, thereby reducing the purchasing power of the end-consumers of our customers, and lead to a lower demand and sales of apparel products, which in turn may materially and adversely affect our business, results of operations and financial condition. We may also encounter interruption in the supply of raw materials or may be required to suspend our business operations temporarily, as a result of any outbreak of contagious disease or epidemic.

Changes in the economic, political and social conditions or policies, or the legal system in the countries where we have operations in may affect our business, financial condition and results of operations

We were based in Hong Kong for more than four decades, and have established international and multi-country operations by setting up offices in various locations to support different aspects of our operations, and engaging suppliers which are located mainly in Asia, North America and Africa. See “Business — Our business model” in this document for further details in relation to the locations of our business operation. In particular, our business, financial condition and results of operations are subject to changes in the economic, political, social and regulatory environment in countries where we have operations in. Any unfavourable political, economic or social development, or unfavourable change in the laws, regulations, rules and licensing requirements in the countries where we have operations in may adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as the current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

[REDACTED]

RISK FACTORS

[REDACTED]

Our Shareholders may experience difficulties in enforcing their shareholder rights because we are incorporated under Cayman Islands laws, which may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions. You may face difficulties in protecting your interests under the laws of the Cayman Islands

We are a company incorporated in the Cayman Islands and our corporate affairs are governed by, among other things, our Memorandum and Articles of Association, Cayman Islands Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. See “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document for further details.

Our Controlling Shareholders, may exert substantial influence over our operation and may not act in the best interests of [REDACTED]

Immediately following the [REDACTED], our Controlling Shareholders will continue to exercise significant influence over all matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

RISK FACTORS

[REDACTED]

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

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

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You should read the entire document and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the [REDACTED]

There [has been], prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [REDACTED], press, media, and/or research analyst coverage regarding us, our business, our industry and the [REDACTED]. You should rely solely upon the information contained in this document in making your [REDACTED] decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the [REDACTED], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of information contained in this document only and should not rely on any other information.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.

RISK FACTORS

We cannot guarantee the accuracy of certain facts and statistics contained in this document

Certain facts and statistics in this document have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], or any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this document.