You should read the following discussion and analysis of the Group's financial condition and results of operations together with our consolidated financial information as at and for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 and the accompanying notes included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

Focusing on provision of apparel supply chain services

We are primarily engaged in the provision of apparel supply chain services, which comprise a whole spectrum of services including product design and development, fashion trend ascertaining and sampling, raw material sourcing, production order and merchandise sourcing management, quality control, packaging, inventory management and logistics management. Customers of our apparel supply chain services are mainly owners or agents of global reputable apparel retail brands, which products are sold in a number of countries and are widely-known to the general public. Under our current apparel supply chain services model we outsource the labour-intensive manufacturing function to a portfolio of approximately 100 third-party manufacturers and focus on providing apparel supply chain services to our customers. Our apparel supply chain services aim at providing one-stop solution to our customers to accommodate their different needs along the supply chain of apparel products, which enable them to focus their resources on their retail business. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, approximately 96.2%, 96.0%, 95.8% and 94.0% of our total revenue were derived from our apparel supply chain servicing segment, respectively.

Under the apparel supply chain servicing segment, we provide apparel supply chain services for the production of a wide range of men's and women's woven wear and cut-and-sewn knitwear products, which are mainly casual wear, such as t-shirts, shirts, denim jeans, pants, casual jackets and coats, mainly to owners or agents of global reputable apparel retail brands, including Giordano, Baleno and Armani Exchange. The woven wear and cut-and-sewn knitwear products produced under our apparel supply chain servicing segment are primarily sold in the PRC and Hong Kong, as well as a minimal amount sold in other countries around the world during the Track Record Period.

Setting a foothold in apparel retail business

During the Track Record Period, we are also engaged in the apparel retail business which mainly focuses on designing, procuring, marketing and retailing men's and women's apparel and accessory products under the *Unisex* Brands, as well as the *Republic* brands. Products under our *Unisex* Brands are smart-casual and business-casual wear which generally target consumers from 25 to 35 years of age who appreciate fashion with contemporary, trendy and stylish designs, whereas products under our *Republic* Brands are casual wear which target the younger population in the PRC who seeks value for money products, frequently shops online and appreciates fashion with young, hip and casual designs. As at the Latest Practicable Date, apparel and accessory products under the *Unisex* Brands were sold to retail consumers through 87 Unisex Outlets, including 27 self-operated, 38 cooperative and 22 franchised retail outlets covering 47 cities in 19 provinces, autonomous regions and municipalities in the PRC. We also maintain online sales platforms or engage online sales agents from time to time to sell our *Unisex* Brands products, whereas our *Republic* Brand products are sold exclusively on our two online stores operating via **www.tmall.com**, namely **http://republichero.tmall.com** and **http://republicqueen.tmall.com**. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, approximately 3.8%, 4.0%, 4.2% and 6.0% of our total revenue were derived from our apparel retail segment, respectively.

In addition to our in-house apparel retail brands, as at the Latest Practicable Date, we were granted the non-exclusive right to (i) manufacture, market and sell men's and women's garment products for an international fashion brand in the PRC; and (ii) market and sell men's and women's garment products for two other international fashion brands in the PRC. Apparel products of these three Licensed Brands, our *Unisex* Brands as well as other suitable brands sourced by the Group from time to time will be sold at our Unisex Life Outlets. We launched our first Unisex Life Outlet in Chengdu, Sichuan Province, the PRC in May 2012 and have established two more Unisex Life Outlets in the PRC as at the Latest Practicable Date.

We have achieved strong growth in revenue during the years ended 31 December 2009, 2010 and 2011. Our revenue increased from approximately HK$830.2 million for the year ended 31 December 2009 to approximately HK$1,167.9 million for the year ended 31 December 2011, representing a CAGR of approximately 18.6%. Our profit for the years ended 31 December 2009, 2010 and 2011 amounted to approximately HK$23.4 million, HK$21.5 million and HK$83.8 million, respectively, representing a CAGR of approximately 89.2%. The decrease in profit for the year ended 31 December 2010 was primarily attributable to the increases in prices of raw materials and finished goods purchased from suppliers and third-party manufacturers, as well as the increase in processing fees charged by third-party manufacturers as a result of the increasing trend of raw material prices in 2010, which affected our gross profit margin for the apparel supply chain servicing segment as we carry out procurement after receiving orders from our customers.

The significant increase in our profit for the year ended 31 December 2011 was mainly due to the following reasons:

- under our pricing strategy and procurement policy as described under the section headed "Business — Apparel supply chain servicing segment — Pricing strategy and procurement policy" in this prospectus, we were able to lock in higher average selling prices for sales orders that we received during the end of 2010 and first quarter of 2011 to offset the relatively higher raw material prices expected over the production period. However, cotton prices peaked in the first quarter of 2011 and gradually decreased over the year. As we made (i) split purchases of raw materials and semi-finished products for our in-house production or production by our third-party manufacturers where we were responsible for providing the raw materials; and (ii) split purchase arrangements for finished products from third-party manufacturers, we enjoyed the lowering purchase cost of raw materials during the period from the split purchase strategy, which outweighed the potential benefit from bulk purchases. The Directors estimate the above mentioned pricing policy and the fluctuation of raw material prices allow us to capture a windfall gain which contributed to approximately HK$60.4 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$45.8 million, without taking into account of other operating expenses. The Directors believe that windfall gain of this kind is unlikely to occur during any period when prices of our raw materials remain stable; and

- an increase in the proportion of revenue generated from sales of products with higher gross profit margins, such as jackets, jeans and pants, during the year. Proportion of revenue contributed from the sale of such products increased from approximately 61.3% of our revenue from the apparel supply chain servicing segment for the year ended 31 December 2010 to approximately 64.9% for the year ended 31 December 2011. Furthermore, the gross profit margins of jackets improved by around 10.1% and that of jeans and pants improved by around 8.1% for the year ended 31 December 2011. In addition to our split purchase strategy, the gross profit margins of our jackets, jeans and pants improved because the orders we received during the year demanded more complicated production processes, which in turn enabled us to bargain and charge higher prices for these products. The Directors estimate this contributed to approximately HK$30.6 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$23.2 million, without taking into account of other operating expenses.

For the six months ended 30 June 2012, our revenue decreased by approximately HK$47.2 million, or 9.6%, as compared to the same period in 2011 and amounted to approximately HK$446.8 million. This was mainly because of the decrease in our revenue from the apparel supply chain servicing segment, mainly attributable to the slowdown of economic growth in the PRC which in general led to the decrease in sales orders from our customers, including some of our major customers, who are mainly apparel retailers. In addition, we have not accepted certain sales orders from a number of customers which we considered not commercially viable according to the terms offered, or customers with long overdue records, of which we believe were isolated cases given the large amount of orders we received from our customers each year during the Track Record Period. Revenue contributed from customers that we have not accepted orders reduced by approximately HK$33.8 million for the six months ended 30 June 2012 compared to that for the six months ended 30 June 2011.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. The consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in equity of the Group for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 have been prepared using the financial information of the companies now comprising the Group under common control of the Huang Brothers as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment of the companies, or since the date when the companies first came under the control of the Huang Brothers, whichever is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from the Huang Brothers' perspective.

Companies acquired from third parties during the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 are included in the consolidated financial information of the Group from the respective dates of acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

FACTORS AFFECTING OUR GENERAL FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors that are beyond our control, including those discussed below.

Demand for the Group's apparel supply chain services and apparel and accessory products

Demand in the PRC for the Group's apparel supply chain services offered under the apparel supply chain servicing segment and apparel and accessory products offered under the apparel retail segment is one of the key drivers of our revenue and this greatly depends on the overall economic conditions in the PRC, which affect a number of factors such as the speed of urbanisation and the growth in disposable income of PRC residents, in particular consumers from 25 to 35 years of age and their consumption patterns. As disposable income increases, consumers tend to shift their spending from basic necessities such as food to the consumption of branded items. As we focus on providing supply chain services to mainly owners or agents of global reputable apparel retail brands, which products are sold in a number of countries and are widely-known to the general public, and retail branded apparel and accessory products, we believe that the shift in consumption pattern will have a positive impact on our results of operations. Furthermore, as most of our retail outlets are located in urban areas in the PRC, changes in the rate of urbanisation, population growth rate and spending patterns of population in the PRC urban areas would affect our results of operations and the growth of our sales in the future.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the demand for products of the apparel supply chain servicing segment and the apparel retail segment on our profit before tax and our profit for the year/period during the Track Record Period, as represented by changes in our average unit price assuming all other factors affecting our profit remain unchanged. Fluctuations are assumed to be 5.0%, 8.0% and 11.0% during the Track Record Period, which correspond to the range of historical fluctuations of our revenue during the Track Record Period.

Hypothetical fluctuations *(HK$'000)*	**+5.0%**	**+8.0%**	**+11.0%**	**–5.0%**	**–8.0%**	**–11.0%**
Change in revenue						
For the year ended 31 December 2009	41,510	66,417	91,323	(41,510)	(66,417)	(91,323)
For the year ended 31 December 2010	55,186	88,298	121,409	(55,186)	(88,298)	(121,409)
For the year ended 31 December 2011	58,397	93,435	128,473	(58,397)	(93,435)	(128,473)
For the six months ended 30 June 2011	24,701	39,522	54,343	(24,701)	(39,522)	(54,343)
For the six months ended 30 June 2012	22,340	35,745	49,149	(22,340)	(35,745)	(49,149)
Change in profit before tax						
For the year ended 31 December 2009	41,510	66,417	91,323	(41,510)	(66,417)	(91,323)
For the year ended 31 December 2010	55,186	88,298	121,409	(55,186)	(88,298)	(121,409)
For the year ended 31 December 2011	58,397	93,435	128,473	(58,397)	(93,435)	(128,473)
For the six months ended 30 June 2011	24,701	39,522	54,343	(24,701)	(39,522)	(54,343)
For the six months ended 30 June 2012	22,340	35,745	49,149	(22,340)	(35,745)	(49,149)
Change in profit after tax						
For the year ended 31 December 2009	31,216	49,945	68,675	(31,216)	(49,945)	(68,675)
For the year ended 31 December 2010	37,085	59,336	81,587	(37,085)	(59,336)	(81,587)
For the year ended 31 December 2011	44,323	70,917	97,511	(44,323)	(70,917)	(97,511)
For the six months ended 30 June 2011	15,735	25,176	34,616	(15,735)	(25,176)	(34,616)
For the six months ended 30 June 2012	18,207	29,132	40,056	(18,207)	(29,132)	(40,056)

Reliance on our major customer

Giordano was our largest customer during the Track Record Period and accounted for approximately 63.6%, 55.9%, 63.5% and 70.1% of our total revenue for the years ended 31 December 2009, 2010, 2011 and the six months ended 30 June 2012, respectively. We believe that Giordano is one of the most recognised established casual wear retailers in the Asia Pacific region. Our relationship with Giordano started in 2004. Given our long-term relationship with Giordano, we believe that our production know-how, quality and cost of our products have met the requirements of Giordano and its customers, therefore, favour both parties to continue the course of dealings.

As we believe it is common in the apparel supply chain servicing industry, we have not entered into any long-term sales contract with Giordano. Instead, we have entered into a manufacturing licence agreement with Giordano pursuant to which we are appointed as an authorised non-exclusive manufacturer of products bearing trademarks owned by Giordano. We have also entered into a non-legally binding memorandum of cooperation in the end of 2011 which Giordano will, in its best commercial effort, appoint us as the manufacturer and supplier of their products and the total purchase amount will be at least HK$500 million each year. Such memorandum of cooperation is valid until 31 December 2016 and will be automatically renewed unless both parties agree to terminate it in writing.

Ability to maintain and expand our sales network under the apparel retail segment

Products offered under the apparel retail segment are primarily sold through our self-operated, cooperative and franchised retail outlets. As at the Latest Practicable Date, our sales network comprised a total of 87 Unisex Outlets and three Unisex Life Outlets, including 29 self-operated retail outlets, 39 cooperative retail outlets and 22 franchised retail outlets covering 47 cities in 19 provinces, autonomous regions and municipalities in the PRC. The ability to increase sales in the apparel retail segment is positively related to the ability in maintaining and expanding this sales network and, in particular, in increasing the number of retail outlets. In addition to Shanghai and Beijing, we aim to increase the number of our Unisex Outlets by establishing 52, 115 and 145 POS in second and third-tier cities such as Chengdu, Wuhan, Changsha, Shenyang and Harbin selling our *Unisex* Brands products in the years ending 31 December 2013, 2014 and 2015, respectively. If we are unsuccessful in continuing the operation and expansion of our retail network, our business, financial conditions and results of operations may be adversely affected.

Ability to manage and strengthen recognition of our existing brands and introduce new brands to our apparel retail business

We believe that brand recognition is one of the key factors influencing consumers' purchase decisions and the price range of our retail products. Products under our *Unisex* Brands generally target consumers from 25 to 35 years of age who appreciate fashion with contemporary, trendy and stylish designs, whereas products under our *Republic* Brands target the younger population in the PRC who seeks value for money products, frequently shops online and appreciates fashion with young, hip and casual designs. As a result, the ability to manage and strengthen brand recognitions of our existing retail brands directly affects our business and results of operations.

Furthermore, in order to maintain a competitive position and sustain growth in the PRC apparel retail market, as well as effectively reduce our operational risk, we have entered into two distributorship agreements, pursuant to which we were granted the non-exclusive right to (i) manufacture, market and sell men's and women's garment products for an international fashion brand in the PRC; and (ii) market and sell men's and women's garment products for two other international fashion brands in the PRC. Apparel products of these three Licensed Brands, our *Unisex* Brands as well as other suitable brands sourced by the Group from time to time will be sold at our Unisex Life Outlets. We launched our first Unisex Life Outlet in Chengdu, Sichuan Province, the PRC in May 2012 and have established two more Unisex Life Outlets in the PRC as at the Latest Practicable Date. We plan to establish more Unisex Life Outlets to offer a more comprehensive range of products, differentiate and segment our target markets with unique brand names, thus create synergies for our retail operations. As a result, our results of operations may be significantly affected if we fail to market and sell products of these new brands.

Fluctuations in the price, availability and quality of raw materials procured from our suppliers and finished goods allocated to our third-party manufacturers

The men's and women's woven wear and cut-and-sewn knitwear products offered under the supply chain servicing segment are produced in our Dongguan plant and Huizhou plant up to 31 October 2011, as well as by our third-party manufacturers, whereas the apparel and accessory products offer under the apparel retail segment are mainly produced by our third-party manufacturers. Furthermore, since November 2011 and up to the Latest Practicable Date, we have ceased to carry out any in-house production and all our production orders are allocated to third-party manufacturers. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, 20.6%, 20.8%, 10.0% and 10.8% of our total cost of sales was derived from purchases of raw materials and consumables from our suppliers, while 62.1%, 74.6%, 81.4% and 84.0% of our total cost of sales was derived from purchases of finished or semi-finished goods from our third-party manufacturers, respectively.

As prices of cotton fabrics affect our costs of raw materials and consumables used and merchandise purchased, we have therefore established a procurement policy to account for fluctuations in the cost of raw materials. Under this policy, our management reviews the current and forecasted exposure to raw material price fluctuations, especially cotton prices, during the negotiation stage of orders with our customers and when the orders are placed. We also maintain close communication with our raw material suppliers and review information available on the public domain on the latest cotton prices and relevant commodity futures index. Our management will estimate the price trend based on the said information and its industry experience. After taking into consideration of the production and delivery schedule of our orders on hand, we will make bulk purchases of raw materials if we anticipate there will be an increase in the raw material prices to avoid subsequent increase in purchase costs of raw materials, or make split purchases if we anticipate that there will be a decrease in the raw materials prices to take benefit from the decreasing trend of raw materials prices. Furthermore, in order to control the cost of raw materials, we will aggregate our orders that our customers have placed and negotiate with our fabric suppliers for procurement of the fabrics required, which would include the fabrics to be procured by our third party manufactures or to be procured by us.

Under our pricing strategy for the apparel supply chain servicing segment, the price of products offered are negotiated and agreed with our customers once the designs are finalised and prototypes have been approved by them, and price adjustments are not allowed thereafter. As such, any changes to prices of raw materials and finished goods we procure from our third-party manufacturers as well as processing fees subsequent to individual orders being entered with our customers may affect the result of our operations. On the other hand, prices of products under the apparel retail segment are determined based on factors such as production costs and the expected gross profit margin. Furthermore, we do not enter into long-term contracts with any of our raw material suppliers or third-party manufacturers. As a result, our results of operations depend on our ability to accurately estimate the raw material price trend over the production period of the respective order and our ability to pass on any expected increase in costs to our customers of our apparel supply chain servicing business and actual increase in costs to our consumers of our apparel retail business in the event when such costs increase. Furthermore, as we receive purchase orders from our customers normally three to six months ahead of the delivery of the products, fluctuations in the prices of raw materials and processing fees may significantly and adversely affect our profitability, as we do not lock in the price of raw materials and cost of merchandise purchased once the order is placed with us, especially if such prices are volatile on an increasing trend during the course of production. As a result, our gross profit margin fluctuated from approximately 11.3%, 9.8%, 17.3% and 17.9% in the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. For further details, please refer to the sections headed "Risk Factors — Risks relating to our business — Fluctuations in the price, availability and quality of raw materials could disrupt our production management operations and increase production costs" and "Risk Factors — Risks relating to our business — We may not be able to maintain our gross profit margin and growth in profit for the year in the future" in this prospectus. The Directors estimate that in the hypothetical event of an approximately 5.8%, 3.5%, 14.6% and 8.9% increase in the costs of merchandise purchased and raw materials and consumables, respectively, we would not be able to generate any net profit during the respective periods.

The following sensitivity analysis also illustrates the impact of hypothetical fluctuations in (a) the price of raw materials, which mainly represents the cost of fabrics, as fluctuations in the price of raw materials impact both our cost of raw materials and consumables used and our cost of merchandise purchased, the two major components of our cost of sales; and (b) processing fees on our profit before tax and our profit for the year/period during the Track Record Period, assuming all other factors affecting our profit remain unchanged.

(a) hypothetical fluctuations in the price of raw materials

During the Track Record Period, the major component of raw materials and consumables used was fabric. Fluctuations in the price of fabric would impact directly on our cost of raw materials and consumables used and indirectly on our cost of merchandise purchased. Assuming fluctuations in raw material price were fully reflected in our costs of raw materials and consumables used and merchandise purchased charged to us by our raw material suppliers and third-party manufacturers, the hypothetical fluctuation would be 1.0%, 5.0% and 12.0% during the Track Record Period, which correspond to the range of historical fluctuations of our costs of raw materials and consumables used and merchandise purchased (taking into account of change in inventories) during the Track Record Period.

Hypothetical fluctuations *(HK$'000)*	**+1.0%**	**+5.0%**	**+12.0%**	**–1.0%**	**–5.0%**	**–12.0%**
Change in prices of raw materials and consumables used and costs of merchandise purchased						
For the year ended 31 December 2009	5,659	28,294	67,906	(5,659)	(28,294)	(67,906)
For the year ended 31 December 2010	7,861	39,306	94,335	(7,861)	(39,306)	(94,335)
For the year ended 31 December 2011	7,827	39,135	93,924	(7,827)	(39,135)	(93,924)
For the six months ended 30 June 2011	3,360	16,802	40,325	(3,360)	(16,802)	(40,325)
For the six months ended 30 June 2012	3,168	15,841	38,019	(3,168)	(15,841)	(38,019)
Change in profit before tax						
For the year ended 31 December 2009	(5,659)	(28,294)	(67,906)	5,659	28,294	67,906
For the year ended 31 December 2010	(7,861)	(39,306)	(94,335)	7,861	39,306	94,335
For the year ended 31 December 2011	(7,827)	(39,135)	(93,924)	7,827	39,135	93,924
For the six months ended 30 June 2011	(3,360)	(16,802)	(40,325)	3,360	16,802	40,325
For the six months ended 30 June 2012	(3,168)	(15,841)	(38,019)	3,168	15,841	38,019
Change in profit after tax						
For the year ended 31 December 2009	(4,255)	(21,277)	(51,065)	4,255	21,277	51,065
For the year ended 31 December 2010	(5,283)	(26,414)	(63,393)	5,283	26,414	63,393
For the year ended 31 December 2011	(5,941)	(29,704)	(71,289)	5,941	29,704	71,289
For the six months ended 30 June 2011	(2,141)	(10,703)	(25,687)	2,141	10,703	25,687
For the six months ended 30 June 2012	(2,582)	(12,911)	(30,985)	2,582	12,911	30,985

Note:

(1) the rates of hypothetical fluctuation applied represent the respective year-on-year percentage change of our respective unit cost of raw materials and consumables used and merchandise purchased (taking into account of change in inventories) during the Track Record Period.

(b) hypothetical fluctuations in processing fees

Fluctuations are assumed to be 8.0%, 28.0% and 56.0% during the Track Record Period, which correspond to the range of historical fluctuations of average unit processing fees during the Track Record Period. The significant increase in fluctuation for the year ended 31 December 2011 was mainly contributed by the increase in the sales of products with higher unit processing fees charged by our third-party manufacturers, including jeans, pants and jackets, which involved more complicated manufacturing procedures.

Hypothetical fluctuations *(HK$'000)*	**+8.0%**	**+28.0%**	**+56.0%**	**–8.0%**	**–28.0%**	**–56.0%**
Change in processing fee						
For the year ended 31 December 2009	5,427	18,995	37,990	(5,427)	(18,995)	(37,990)
For the year ended 31 December 2010	10,017	35,061	70,122	(10,017)	(35,061)	(70,122)
For the year ended 31 December 2011	9,508	33,279	66,557	(9,508)	(33,279)	(66,557)
For the six months ended 30 June 2011	4,227	14,793	29,586	(4,227)	(14,793)	(29,586)
For the six months ended 30 June 2012	2,417	8,459	16,917	(2,417)	(8,459)	(16,917)
Change in profit before tax						
For the year ended 31 December 2009	(5,427)	(18,995)	(37,990)	5,427	18,995	37,990
For the year ended 31 December 2010	(10,017)	(35,061)	(70,122)	10,017	35,061	70,122
For the year ended 31 December 2011	(9,508)	(33,279)	(66,557)	9,508	33,279	66,557
For the six months ended 30 June 2011	(4,227)	(14,793)	(29,586)	4,227	14,793	29,586
For the six months ended 30 June 2012	(2,417)	(8,459)	(16,917)	2,417	8,459	16,917
Change in profit after tax						
For the year ended 31 December 2009	(4,081)	(14,284)	(28,568)	4,081	14,284	28,568
For the year ended 31 December 2010	(6,732)	(23,561)	(47,122)	6,732	23,561	47,122
For the year ended 31 December 2011	(7,217)	(25,258)	(50,517)	7,217	25,258	50,517
For the six months ended 30 June 2011	(2,692)	(9,423)	(18,846)	2,692	9,423	18,846
For the six months ended 30 June 2012	(1,970)	(6,894)	(13,787)	1,970	6,894	13,787

Note:

(1) the rates of hypothetical fluctuation applied represent the respective year-on-year percentage change of our respective average unit processing fees during the Track Record Period.

We have established a strict quality control system and a set of in-house quality standards to demonstrate our commitment to high quality. To ensure the consistent quality of raw materials and finished goods that we purchase, we maintain a list of credible raw material suppliers and third-party manufacturers who we have carefully evaluate and chosen, and such list is updated by us from time to time upon our satisfaction of the quality of the raw material or finished goods being sold to us. Our future performance will continue to depend on our ability to locate and manage qualified raw material suppliers and third-party manufacturers who are able to provide us with adequate supplies of quality raw materials and finished goods to meet our customers' demands.

Seasonality

Our results of operations are subject to seasonality. Certain apparel products produced under the apparel supply chain servicing segment, which are mainly winter clothings that entail higher selling prices, such as jackets, generally record higher sales during September to December each year. As such, our revenue from the apparel supply chain servicing segment may be subject to seasonal factors depending on the number of purchase orders we receive for these winter clothings from our customers. The apparel retail segment generally records higher sales in the autumn/winter season and lower sales in the spring/summer season each year. Notwithstanding the general market environment, due to the ever-changing fashion trends, it may not be possible to meaningfully predict levels of sales from period to period.

Competition

The PRC market for branded apparel and accessory products that are of high quality is a highly competitive, field comprising both domestic and international brands. Some of our competitors have broader offerings, including children's clothing lines or clothing lines targeted to consumers of a wider age group, and sell at a higher price range. In addition, the demand for apparel and accessory products that are stylish and of high quality in the PRC has been growing steadily in recent years in line with economic growth. We believe that products of our in-house apparel retail brands compete on the basis of brand image, product design and development capabilities, efficient supply chain model, quality, price and our experienced management team. Our financial condition and results of operations will be affected by the ability to remain competitive in this industry, which in turn depends on the ability to increase our brand awareness and differentiate our products from those offered by our competitors in ways that will appeal to consumers.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's financial statements have been prepared in accordance with HKFRS, which requires management to make judgments, assumptions and estimates concerning the future. These judgements, assumptions and estimates are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. During the Track Record Period, there was no frequent revision on nor material deviation from the judgements, assumptions or estimates made. In the opinion of the Directors, the judgements, assumptions or estimates made are not expected to change materially in the future. Actual results may however differ from these estimates. The following sections discuss the principal accounting policies applied in preparing our financial information that the Directors believe are critical as they are important to the portrayal of the Group's financial condition and results of operations, as well as the critical accounting policies and those that involve judgements, estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial period:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when (i) products are delivered to the customer, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products (for the apparel supply chain servicing segment), or (ii) a product is sold to franchisees or customers of self-operated or cooperative retail outlets (for the apparel retail segment).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Our inventory policy for products under the apparel retail segment is based on the type of products. For products that we consider are of recurring styles, provision is made only when the products are aged over three years, of which 75% of the inventory value will be written off when a product is aged between three to four years, and full provision will be made for products that are aged over four years. For the other products, provision is made according to the inventory age. No provision is made if the product is aged within one year. Then, we will write off 25% of the inventory value during each year that the product remains unsold. Full provision will be made for products that are aged over four years.

Current and deferred income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate 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 difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date.

Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and provision for impaired receivables in the period in which such estimate has been changed.

SUMMARY RESULTS OF OPERATIONS

The following table sets out the selected financial information of the Group for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012, which are derived from our consolidated statements of comprehensive income included in the Accountant's Report set out in Appendix I to this prospectus.

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000* (unaudited)	*% of revenue*	*HK$'000*	*% of revenue*
Revenue	830,207	100.0	1,103,721	100.0	1,167,934	100.0	494,027	100.0	446,809	100.0
Cost of sales	(736,484)	(88.7)	(995,866)	(90.2)	(965,701)	(82.7)	(424,718)	(86.0)	(366,975)	(82.1)
Gross profit	93,723	11.3	107,855	9.8	202,233	17.3	69,309	14.0	79,834	17.9
Selling expenses	(21,940)	(2.6)	(29,896)	(2.7)	(30,468)	(2.6)	(12,841)	(2.6)	(15,522)	(3.5)
Administrative expenses	(43,700)	(5.3)	(53,294)	(4.8)	(66,214)	(5.7)	(24,285)	(4.9)	(39,082)	(8.7)
Other income	5,920	0.7	10,986	1.0	11,651	1.0	6,369	1.3	2,394	0.5
Other gains/(losses) — net	351	—	94	—	654	0.1	(837)	(0.2)	(394)	(0.1)
Operating profit	34,354	4.1	35,745	3.3	117,856	10.1	37,715	7.6	27,230	6.1
Finance income	245	—	233	—	563	—	174	—	451	0.1
Finance costs	(2,484)	(0.2)	(2,803)	(0.3)	(5,013)	(0.4)	(3,603)	(0.7)	(1,289)	(0.3)
Finance costs/(losses) — net	(2,239)	(0.2)	(2,570)	(0.3)	(4,450)	(0.4)	(3,429)	(0.7)	(838)	(0.2)
Profit before income tax	32,115	3.9	33,175	3.0	113,406	9.7	34,286	6.9	26,392	5.9
Income tax expense	(8,734)	(1.1)	(11,660)	(1.1)	(29,569)	(2.5)	(13,920)	(2.8)	(5,182)	(1.2)
Profit for the year/period	23,381	2.8	21,515	1.9	83,837	7.2	20,366	4.1	21,210	4.7

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Our revenue is mainly generated from our two operating businesses, namely the apparel supply chain servicing segment and the apparel retail segment. The following table sets out a breakdown of our revenue by operating segment for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Apparel supply chain services	799,060	96.2	1,059,654	96.0	1,118,404	95.8	471,155	95.4	419,919	94.0
Apparel retail	31,147	3.8	44,067	4.0	49,530	4.2	22,872	4.6	26,890	6.0
Total	830,207	100.0	1,103,721	100.0	1,167,934	100.0	494,027	100.0	446,809	100.0

The following table shows a breakdown of the Group's revenue by sales region for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2011 and 2012:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
PRC and Hong Kong	778,332	93.8	1,042,915	94.5	1,133,717	97.1	474,161	96.0	427,266	95.6
Asia Pacific (excluding PRC and Hong Kong)[1]	16,830	2.0	27,462	2.5	22,254	1.9	14,602	3.0	13,684	3.1
Others[2]	35,045	4.2	33,344	3.0	11,963	1.0	5,264	1.0	5,859	1.3
Total	830,207	100.0	1,103,721	100.0	1,167,934	100.0	494,027	100.0	446,809	100.0

Notes:

(1) Asia Pacific (excluding PRC and Hong Kong) includes Taiwan, Singapore, Macau, Japan, Korea, Indonesia, the Philippines and India.

(2) Others mainly include Canada, USA, the United Kingdom, Australia and Germany.

Revenue derived from the apparel supply chain servicing segment

Revenue under our apparel supply chain servicing business was mainly derived from the apparel supply chain services where a wide range of men's and women's woven wear and cut-and-sewn knitwear products are produced for our customers, which are mainly owners or agents of global reputable apparel retail brands, which products are sold in a number of countries and are widely-known to the general public including Giordano, Baleno and Armani Exchange. We recognise revenue when products have been delivered to our customers, and there is no unfulfilled obligation that could affect our customers' acceptance of the products. We generate most of our revenue from the PRC and Hong Kong during the Track Record Period. During the Track Record Period, we sold approximately 17.8 million, 25.0 million, 23.8 million and 10.4 million pieces of apparel produced under the apparel supply chain servicing segment, respectively.

The following table shows a breakdown of the Group's revenue from the apparel supply chain servicing segment by sales to different categories of customers for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012:

	Year ended 31 December						Six months ended 30 June	
	2009		2010		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Owners of global reputable apparel retail brands	715,825	89.6	963,535	90.9	1,024,276	91.6	367,497	87.5
Agents of global reputable apparel retail brands	70,432	8.8	83,764	7.9	88,878	7.9	48,621	11.6
Others[1]	12,803	1.6	12,355	1.2	5,250	0.5	3,801	0.9
	799,060	100.0	1,059,654	100.0	1,118,404	100.0	419,919	100.0

Note:

(1) Others mainly represent sales of fabrics, samples and our products to our customers other than owners and agents of global reputable apparel retail brands.

It is our strategy to focus on our strengths in the provision of apparel supply chain services. During the Track Record Period, we have strategically increased the proportion of production orders allocated to third-party manufacturers and downsized our in-house production hence maintaining a lean capital base while being able to achieve a scalable business model by minimising labour-intensive production process. We believe this strategy benefits us economically, as (i) by leveraging external production capacities according to our production schedule, it enables us to meet our customers' demand in a timely manner; (ii) it is more cost-effective to allocate production orders to our third-party manufacturers than to keep in-house production capacities as we consider our third-party manufacturers are each specialised in producing a particular type of product whereas it is impracticable for us to possess all the skills or machineries to manufacture each design of products requested by our customers; and (iii) it allows more flexibility for us in choosing production orders as we will not be required to accept relatively less lucrative sales orders to cover the fixed costs and labour costs of a manufacturing plant and avoid idle production capacities.

Under the apparel supply chain servicing segment, there are different types of costs incurred under different production arrangements, as detailed below:

- for sales orders that we allocate to our third-party manufacturers in whole (generally known as "**Merchandise purchase arrangements**"), they generally involve relatively less internal resources for production management. For this arrangement, we mainly incur cost of merchandise purchased;

- for sales orders that we (i) produce in-house; (ii) allocate partially to our third-party manufacturers; or (iii) supply all the raw materials and our third-party manufacturers are only responsible for processing (generally known as "**Non-merchandise purchase arrangements**"), they involve more of our internal resources for the production management such as the procurement of raw materials, production support and logistics arrangement. Under such arrangements, we incur cost of raw materials, processing fees and operating costs and overheads of our Dongguan plant and our Huizhou plant for fulfilling the orders.

The following table sets out a breakdown of our revenue of the apparel supply chain servicing segment under the different arrangements as mentioned above.

	Year ended 31 December						Six months ended 30 June	
	2009		2010		2011		2012	
	HK$'000	*% to revenue*	*HK$'000*	*% to revenue*	*HK$'000*	*% to revenue*	*HK$'000*	*% to revenue*
Revenue contributed from sales orders under:								
— *Merchandise purchase arrangements*	458,799	57.4%	677,831	64.0%	814,051	72.8%	334,893	79.8%
— *Non-merchandise purchase arrangements*	340,261	42.6%	381,823	36.0%	304,353	27.2%	85,026	20.2%
	799,060	100.0%	1,059,654	100.0%	1,118,404	100.0%	419,919	100.0%

Revenue derived from the apparel retail segment

Revenue under the apparel retail segment was mainly derived from the design, procurement, marketing and retail of men's and women's apparel and accessories products under our in-house apparel retail brands. Our customers mainly comprised of our franchisees and end-consumers of our apparel and accessory products. For self-operated and cooperative retail outlets, we recognise revenue when products have been sold to our consumers. For franchised retail outlets, revenue is recognised when products have been sold to our franchisees. The following table sets out a breakdown of our revenue derived from the apparel retail segment by different sales channels for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Self-operated retail outlets	19,033	61.1	24,478	55.6	22,578	45.6	11,446	50.0	15,628	58.1
Cooperative retail outlets	7,826	25.1	11,382	25.8	14,129	28.5	6,570	28.7	6,967	25.9
Franchised retail outlets	4,288	13.8	7,751	17.6	10,167	20.5	3,613	15.8	2,812	10.5
Online sales	—	—	456	1.0	2,656	5.4	1,243	5.5	1,483	5.5
Total	31,147	100.0	44,067	100.0	49,530	100.0	22,872	100.0	26,890	100.0

Cost of sales

Our cost of sales primarily consists of merchandise purchased, processing fees, cost of raw materials and consumables used and production overhead costs. The following table sets out a breakdown of the Group's cost of sales by production cost and such cost as a percentage of the total cost of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Merchandise purchased	389,656	52.9	617,951	62.0	667,025	69.1	298,302	70.2	278,198	75.8
Processing fees	67,839	9.2	125,218	12.6	118,852	12.3	52,832	12.4	30,209	8.2
Raw materials and consumables used	152,137	20.6	206,649	20.8	96,382	10.0	37,142	8.7	39,799	10.8
Change in inventories	24,088	3.3	(38,474)	(3.9)	19,296	2.0	598	0.1	(1,172)	(0.3)
Employment benefit expenses	73,781	10.0	52,144	5.2	33,941	3.5	21,636	5.1	9,119	2.5
Rental expenses	9,200	1.2	10,748	1.1	11,407	1.2	6,656	1.6	1,886	0.5
Transportation expenses	4,123	0.6	5,892	0.6	3,918	0.4	2,008	0.5	1,169	0.3
Depreciation and amortisation	4,242	0.6	5,687	0.6	6,056	0.6	2,938	0.7	3,156	0.9
Utilities	3,554	0.5	1,573	0.2	1,519	0.2	664	0.2	54	—
Others	7,864	1.1	8,479	0.8	7,305	0.7	1,942	0.5	4,557	1.3
Total	736,484	100.0	995,866	100.0	965,701	100.0	424,718	100.0	366,975	100.0

Cost of sales consists primarily of merchandise purchased, processing fees and raw materials and consumables used. Merchandise purchased, which represented production orders allocated in whole to third-party manufacturers, was the largest component of cost of sales during the Track Record Period. Raw materials and consumables used represented purchase cost of direct raw materials such as fabrics and ancillary raw materials, including buttons and zippers. Processing fees represented the service fees incurred in allocating certain parts of the production process for our customer orders to third-party manufacturers.

Due to our production management strategy as discussed under the paragraph headed "Principal income statement components — Revenue — Revenue derived from the apparel supply chain servicing segment" in this section of the prospectus, the proportion of our cost of merchandise purchased increased during the Track Record Period. On the other hand, employment benefit expenses and other operating expenses of our Dongguan plant and Huizhou plant have been decreasing during the same period.

Gross profit and gross profit margin

Our gross profit was approximately HK$93.7 million, HK$107.9 million and HK$202.2 million for the years ended 31 December 2009, 2010 and 2011, respectively, and approximately HK$69.3 million and HK$79.8 million for the six months ended 30 June 2011 and 2012, respectively. The following table sets out an analysis of gross profit and gross profit margins by operating segments for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Apparel supply chain service	75,055	9.4	83,930	7.9	174,956	15.6	56,902	12.1	65,332	15.6
Apparel retail	18,668	59.9	23,925	54.3	27,277	55.1	12,407	54.2	14,502	53.9
Total	93,723	11.3	107,855	9.8	202,233	17.3	69,309	14.0	79,834	17.9

As discussed under the paragraph headed "Revenue — Principal income statement components — Revenue derived from the apparel supply chain servicing segment" in this section of the prospectus, as more cost incurred under the Non-merchandise purchase arrangements than the Merchandise purchase arrangements, the increase in proportion of our production under the Merchandise purchase arrangements contribute to the increase our gross profit margin during the Track Record Period. The following table sets out an analysis of gross profit and gross profit margins of sales orders produced under different production arrangements.

	Year ended 31 December						Six months ended 30 June	
	2009		2010		2011		2012	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Gross profit contributed from sales orders under:								
— *Merchandise purchase arrangements*	51,317	11.2	58,108	8.6	136,975	16.8	55,910	16.7
— *Non-merchandise purchase arrangements*	23,738	7.0	25,822	6.8	37,981	12.5	9,422	11.1
	75,055	9.4	83,930	7.9	174,956	15.6	65,332	15.6

Selling expenses

Selling expenses mainly represented expenses incurred in relation to our apparel retail business and include rental expenses for our self-operated retail outlets, employee benefit expenses mainly for our personnel involved in retail operations, transportation expenses for delivering finished products to our self-operated retail outlets and promotional expenses for marketing activities of our self-operated retail outlets. Our selling expenses as a percentage of our revenue remained relatively stable during the Track Record Period and represented 2.6%, 2.7% and 2.6% of our revenue for the years ended 31 December 2009, 2010 and 2011, respectively and approximately 2.6% and 3.5% of our revenue for the six months ended 30 June 2011 and 2012, respectively.

Administrative expenses

Administrative expenses mainly represent employee benefit expenses for our management, finance and administrative personnel, entertainment expenses, rental expenses for our office premises and directors' quarters, travelling expenses and listing expenses. Administrative expenses represented 5.3%, 4.8% and 5.7% of our revenue for the years ended 31 December 2009, 2010 and 2011, respectively and approximately 4.9% and 8.7% of our revenue for the six months ended 30 June 2011 and 2012, respectively.

Other income

Other income mainly comprises rental income from third-party manufacturers and commission income from consignment sales service that we provided through retail outlets.

Rental income is mainly derived from leasing arrangements with our third-party manufacturers as we have strategically increased the proportion of production orders allocated to third-party manufacturers and retained a minimum level of in-house production capacities. Production facilities that we previously used for in-house production at four different premises had been leased out to different third-party manufacturers since November 2009 and the current term of the respective lease agreements is for a period of three years commencing on 1 July 2010, 1 June 2011 and 1 March 2012 (which replaced a previous lease commenced on 1 November 2011 for the same premises), and a period of one year commencing 1 November 2012, respectively, and the respective annual rental fee amounted to approximately RMB2.9 million, RMB1.8 million, RMB1.2 million and RMB0.3 million. For further details of such arrangement, please refer to the section headed "Business — Apparel supply chain servicing segment — Production management" in this prospectus.

Commission income from consignment sales service that we provided through our retail outlets represented commission income paid to us by Shing Fun International Industrial Limited ("**Shing Fun International**"), a company which is beneficially owned by the Huang Brothers and mainly engaged in the manufacturing and trading of sweater knitwear. During the Track Record Period, we sold Shing Fun International's sweater knitwear products, as well as down jackets, suits and accessories products that we purchased from them, in our POS on a consignment basis, of which we are responsible for the daily operations and expenses relating to the sales activities of such apparel and accessories products in our POS and Shing Fun International is responsible for the manufacture and delivery of qualified apparel and accessories products to our POS. The commission was calculated based on the total amount of selling and administrative expenses incurred in the apparel retail segment multiplied by the proportion of consignment sales of Shing Fun International to the total sales under the apparel retail segment. Such consignment arrangement was ceased in 2011.

Other gains/(losses) — net

Other gains/(losses) — net comprise mainly net foreign exchange gains or losses, losses on financial assets at fair value through profit or loss and gains or losses on disposal of property, plant and equipment.

Financial assets at fair value through profit or loss mainly represented our investments in securities in the Hong Kong stock market. We have invested in such securities since April 2011 through opening a discretionary investment account at an external securities and investment firm with the initial intention of increasing the return of our surplus cash position. All of such financial assets were disposed of in October 2011. Such financial assets generated a dividend income of approximately HK$0.2 million, which was recognised as other income in our financial statements, but recorded a loss of approximately HK$4.6 million for the year ended 31 December 2011 on the disposal of such financial assets.

The Group does not intend to make further investments in the securities market, save for formation of strategic alliances if required. In order to manage the Group's treasury policy and the relevant risks, the Company's chief financial officer monitors the performance of the Group's investments and reports to the Board of Directors regularly.

Finance income and costs

Our finance income represents interest income from bank deposits. Our finance costs mainly represent interest expense on bank borrowings.

Income tax expense

Income tax expense mainly represents amounts of current income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong and the PRC. We had no other tax payable in other jurisdictions during the Track Record Period. The statutory income tax rate in Hong Kong was 16.5% for the Track Record Period, while the statutory enterprise income tax rate in the PRC for the Track Record Period was 25%.

Speedy Dongguan is qualified as a foreign investment manufacturing enterprise. While Speedy Dongguan's statutory income tax rate is 25% according to the Foreign Invested Enterprises and Income Tax Law of the PRC, it is entitled to enjoy a five-year tax holiday from the first tax profitable year, with two years of exemption from enterprise income tax followed by a 50% reduction in enterprise income tax for the subsequent three years. As approved by the PRC tax authorities, Speedy Dongguan started such tax holiday from 2006. As a result, the applicable enterprise income tax rate of Speedy Dongguan was 12.5%, 12.5%, 25% and 25% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Our effective income tax rates for the years ended 31 December 2009, 2010 and 2011, which is calculated by dividing enterprise income tax, less withholding tax, by profit before income tax for the corresponding year, were approximately 24.8%, 32.8% and 24.1%, respectively. The relatively high effective income tax rates for the years ended 31 December 2009 and 2010 when compared with the preferential tax rates enjoyed by Speedy Dongguan (i.e. 12.5% for the same periods) were mainly attributable to the fact that certain PRC subsidiaries within the Group were subjected to tax rates higher than the preferential tax rates enjoyed by Speedy Dongguan. For example, Koyip Huizhou and Shanghai Shining were both subject to enterprise income tax rate of 25% during the Track Record Period. Moreover, certain subsidiaries of the Group incurred expenses not deductible for tax purpose.

The Group incurred (i) rental expenses for our Dongguan plant and Huizhou plant for the years ended 31 December 2009, 2010 and 2011; and (ii) petty cash expenses and miscellaneous operating expenses, such as travelling, transportation, entertainment and courier charges, as well as expenses of procuring certain raw materials, consumables and processing services from raw material suppliers and third-party manufacturers and the management inadvertently failed to obtain tax receipts for these transactions. We renewed the lease agreements for our Dongguan plant on 25 December 2011 and our Huizhou plant on 1 December 2011 and were hence able to obtain tax receipts for the rental expenses for both leases. Furthermore, since 1 January 2012, we adopted an internal control policy to minimise transactions where the counterparties could not provide us with the relevant tax receipts. Pursuant to such policy, all purchases of raw materials and payment of processing fees of amounts more than RMB1,000 and other petty cash expenses and miscellaneous transactions of amounts more than RMB200 should be supported with the necessary PRC tax receipts. As a result, we have been provided with the relevant tax receipts for petty cash expenses, miscellaneous operating expenses and expenses of procuring certain raw materials, consumables and processing services since 1 January 2012, save for those small amount of purchases allowed under the internal control policy, if any, which tax effect should have no material impact on our results of operations. As a result, the tax effect of expenses that were not deductible for tax purpose decreased significantly for the six months ended 30 June 2012.

Our effective income tax rates for the six months ended 30 June 2011 and 2012 were approximately 36.3% and 18.5%, respectively. The significant decrease in effective tax rate for the six months ended 30 June 2012 was primarily due to the decrease in tax effect of expenses not deductible for tax purposes as discussed above.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2011 Compared to Six months ended 30 June 2012

Revenue

Revenue decreased by HK$47.2 million, or approximately 9.6%, from HK$494.0 million for the six months ended 30 June 2011 to HK$446.8 million for the six months ended 30 June 2012, primarily attributable to the decrease in revenue in the apparel supply chain servicing segment as discussed in detail below.

Revenue from the apparel supply chain servicing segment

Revenue from the apparel supply chain servicing segment decreased by HK$51.3 million, or approximately 10.9%, from HK$471.2 million for the six months ended 30 June 2011 to HK$419.9 million for the six months ended 30 June 2012. The decrease in revenue was primarily attributable to the slowdown of economic growth in the PRC which in general led to the decrease in sales orders from our customers, including certain of our major customers who are mainly apparel retailers. In addition, we have not accepted certain sales orders from a number of customers which we considered not commercially viable according to the terms offered, or customers with long overdue records, of which we believe were isolated cases given the large amount of orders we received from our customers each year during the Track Record Period. Revenue contributed from customers that we have not accepted orders reduced by approximately HK$33.8 million for the six months ended 30 June 2012 compared to that for the six months ended 30 June 2011. This was partially offset by the overall increase in the average selling price of our products by around 6% as we were able to increase the average selling prices of jeans and pants due to higher costs of these products, as their production involved more complicated production procedures.

Revenue from the apparel retail segment

Revenue from the apparel retail segment increased by HK$4.0 million, or approximately 17.5%, from HK$22.9 million for the six months ended 30 June 2011 to HK$26.9 million for the six months ended 30 June 2012 primarily attributable to the increase in the number of retail outlets compared to the same period last year.

Cost of sales

Cost of sales decreased by HK$57.7 million, or approximately 13.6%, from HK$424.7 million for the six months ended 30 June 2011 to HK$367.0 million for the six months ended 30 June 2012. The decrease in cost of sales was mainly resulted from decreases in merchandise purchased by approximately HK$20.1 million, or 6.7%, and processing fees by approximately HK$22.6 million, or 42.8%, as a result of the decrease in sales, and as well as employee benefit expenses by approximately HK$12.5 million, or 57.9% as we have ceased majority of our in-house productions.

Cost of sales of the apparel supply chain servicing segment

Cost of sales of the apparel supply chain servicing segment decreased by HK$59.7 million, or approximately 14.4%, from HK$414.3 million for the six months ended 30 June 2011 to HK$354.6 million for the six months ended 30 June 2012, primarily as a result of decreases in merchandise purchased by HK$27.6 million, or approximately 9.5%, processing fees by HK$22.6 million, or approximately 42.8%, as well as employee benefit expenses by HK$12.5 million, or approximately 57.9%. The decreases in merchandise purchased and processing fees were mainly a result of the decrease in sales during the period, whereas the decrease in employee benefit expenses was mainly because we outsourced all of our production to our third-party manufacturers during the period.

Cost of sales of the apparel retail segment

Cost of sales of the apparel retail segment increased by HK$1.9 million, or approximately 18.1%, from HK$10.5 million for the six months ended 30 June 2011 to HK$12.4 million for the six months ended 30 June 2012, primarily as a result of the increase in sales during the year.

Gross profit and gross profit margin

Gross profit increased by HK$10.5 million, or approximately 15.2%, from HK$69.3 million for the six months ended 30 June 2011 to HK$79.8 million for the six months ended 30 June 2012. Gross profit margin increased from approximately 14.0% for the six months ended 30 June 2011 to approximately 17.9% for the year ended 30 June 2012.

Gross profit and gross profit margin of the apparel supply chain servicing segment

Gross profit for the apparel supply chain servicing segment increased by HK$8.4 million, or approximately 14.8%, from HK$56.9 million for the six months ended 30 June 2011 to HK$65.3 million for the six months ended 30 June 2012 and the gross profit margin for the apparel supply chain servicing segment increased from approximately 12.1% for the six months ended 30 June 2011 to approximately 15.6% for the six months ended 30 June 2012. The increase in our gross profit and gross profit margin was mainly attributable to the increase in average selling prices of our products during the six months ended 30 June 2012 compared to that for the six months 30 June 2011, as we strengthened the implementation of our pricing policy in late 2010, of which product prices must be set with reference to the estimated cost of the product and our target profit margin. With such pricing policy, we locked in higher average selling prices for sales orders that we received during the second half of 2011 when raw material prices were relatively higher. Then, when raw material prices gradually decreased during the six months ended 30 June 2012, we benefited from the lower raw material prices when we made split purchases of raw materials and semi-finished products and split purchase arrangements for finished products from raw material suppliers and third-party manufacturers during the course of production. To the best of the Directors' estimates, approximately 20.9% of sales recognised in the six months ended 30 June 2012 represented sales orders that we received when raw material prices were relatively high. In addition, part of the revenue recognised during the six months ended 30 June 2011 were from sales orders received during the year ended 31 December 2010 when the raw material prices were lower, thus the average selling prices of our products were also relatively lower during the six months ended 30 June 2011.

Gross profit and gross profit margin of the apparel retail segment

Gross profit for the apparel retail segment increased by HK$2.1 million, or approximately 16.9%, from HK$12.4 million for the six months ended 30 June 2011 to HK$14.5 million for the six months ended 30 June 2012, mainly as a result of the increase in revenue. The gross profit margin for the apparel supply chain servicing segment remained relatively stable at approximately 54.2% for the six months ended 30 June 2011 and approximately 53.9% for the six months ended 30 June 2012.

Selling expenses

Selling expenses increased by HK$2.7 million, or approximately 21.1%, from HK$12.8 million for the six months ended 30 June 2011 to HK$15.5 million for the six months ended 30 June 2012, primarily as a result of the increase in rental expense by approximately HK$2.8 million as there was an increase in the number of self-operated retail outlets from 23 retail outlets as at 30 June 2011 to 31 retail outlets as at 30 June 2012, which resulted in the increase in revenue generated from the apparel retail segment. In addition, there was a general increase in rent of our self-operated POS.

Administrative expenses

Administrative expenses increased by HK$14.8 million, or approximately 60.9%, from HK$24.3 million for the six months ended 30 June 2011 to HK$39.1 million for the six months ended 30 June 2012, primarily as a result of the increase in listing expenses of approximately HK$6.2 million incurred in preparation for the Global Offering and employee benefit expenses of approximately HK$5.8 million related to the addition of certain senior management who joined in late 2011 to accommodate our future expansion plan.

Other income

Other income decreased by HK$4.0 million, or approximately 62.5%, from HK$6.4 million for the six months ended 30 June 2011 to HK$2.4 million for the six months ended 30 June 2012. The decrease in other income was primarily due to the cessation of consignment sales service that we provided to Shing Fun International in 2011, as well as a decrease in rental income received from third-party manufacturers as they are now required to settle the land portion of the lease arrangement directly to the landlord instead of paying through us.

Other losses — net

Other losses — net decreased by HK$0.4 million, or approximately 50.0%, from HK$0.8 million for the six months ended 30 June 2011 to HK$0.4 million for the six months ended 30 June 2012, primarily as we did not engage in the trading of financial assets at fair value through profit or loss and derivative financial instrument during the six months ended 30 June 2012.

Finance income and costs

Our finance income increased by HK$0.3 million, or approximately 150.0%, from HK$0.2 million for the six months ended 30 June 2011 to HK$0.5 million for the six months ended 30 June 2012 primarily due to an increase in the effective interest rates per annum on bank deposits from 0.5% as at 30 June 2011 to 1.3% as at 30 June 2012.

Our finance costs decreased by HK$2.3 million, or approximately 63.9%, from HK$3.6 million for the six months ended 30 June 2011 to HK$1.3 million for the six months ended 30 June 2012 primarily due to a decrease in bank borrowings made during the period.

Profit before income tax

Profit before income tax decreased by HK$7.9 million, or approximately 23.0%, from HK$34.3 million for the six months ended 30 June 2011 to HK$26.4 million for the six months ended 30 June 2012, primarily as a result of the factors described above.

Income tax expense

Income tax expense decreased by HK$8.7 million, or approximately 62.6%, from HK$13.9 million for the six months ended 30 June 2011 to HK$5.2 million for the six months ended 30 June 2012, primarily as a result of the decrease in profit before income tax for the six months ended 30 June 2012. In addition, there was a decrease in tax effect of expenses not deductible for tax purposes. The said decrease was mainly because we minimised the purchases of raw materials and consumables from our raw material suppliers and processing fees paid to our third-party manufacturers since 1 January 2012 where we were unable to obtain the necessary PRC tax receipts for us to deduct the relevant tax expenses in the PRC.

Profit for the period

Profit for the period increased by HK$0.8 million, or approximately 3.9%, from HK$20.4 million for the six months ended 30 June 2011 to HK$21.2 million for the six months ended 30 June 2012, primarily because of the decrease in income tax expense as discussed above.

Year ended 31 December 2010 Compared to Year ended 31 December 2011

Revenue

Revenue increased by HK$64.2 million, or approximately 5.8%, from HK$1,103.7 million for the year ended 31 December 2010 to HK$1,167.9 million for the year ended 31 December 2011, primarily attributable to the revenue growth in the apparel supply chain servicing segment as discussed in detail below.

Revenue from the apparel supply chain servicing segment

Revenue from the apparel supply chain servicing segment increased by HK$58.7 million, or approximately 5.5%, from HK$1,059.7 million for the year ended 31 December 2010 to HK$1,118.4 million for the year ended 31 December 2011. The increase in revenue was primarily attributable to the overall increase in the average selling price of our products by approximately 11%, except for our cut-and-sewn knitwear products, which mainly include t-shirt and polo shirt, which accounted for around one-third of our total revenue under this segment and maintained an average selling price similar to that of the previous year. The increase in average selling price of our products was mainly because as we strengthened the implementation of our pricing policy in late 2010, of which product prices must be set with reference to a minimum gross profit target for each of our product taking into account the expected changes in production costs charged by our third-party manufacturers. As the Directors believe that production costs charged by our third-party manufacturers also take into consideration fluctuations in raw material prices, we increased the selling prices of some of our products in 2011 following the rapidly increasing raw material prices in late 2010. Furthermore, the growth in our revenue in the year ended 31 December 2011 was also contributed by the increase in the proportion of revenue generated from sales of jeans, pants and jackets, which entail higher selling prices as they involve more complicated manufacturing procedures. Moreover, the early Chinese New Year in 2012 also contributed to the growth in our sales for the year ended 31 December 2011, as the Directors believe that our customers stocked up additional inventories in the end of 2011 in preparation for the early holiday season in January 2012 as compared to the same period of the previous year.

Revenue from the apparel retail segment

Revenue from the apparel retail segment increased by HK$5.4 million, or approximately 12.2%, from HK$44.1 million for the year ended 31 December 2010 to HK$49.5 million for the year ended 31 December 2011 regardless of the decrease in our average number of POS from 90 for the year ended 31 December 2010 to 87 for the year ended 31 December 2011. The increase in our revenue from the apparel retail segment was primarily due to the further growth of the PRC economy, which led to the increase in sales of our POS whereby the average sales per POS for the year ended 31 December 2011 increased by approximately 16.3% compared to that for the year ended 31 December 2010 as well as the increase in our sales through our online sales agents by approximately HK$2.7 million in the year ended 31 December 2011 compared to that of the previous year.

Cost of sales

Cost of sales decreased by HK$30.2 million, or approximately 3.0%, from HK$995.9 million for the year ended 31 December 2010 to HK$965.7 million for the year ended 31 December 2011. The decrease in cost of sales was mainly resulted from decreases in raw materials and consumables used by approximately HK$110.3 million, or 53.4%, employee benefit expenses by approximately HK$18.2 million, or 34.9%, as well as processing fees by approximately HK$6.4 million, or 5.1%. This was partially offset by increases in merchandise purchased by approximately HK$49.1 million, or 7.9%, and change in inventories by approximately HK$57.8 million, or 150.2%.

Cost of sales of the apparel supply chain servicing segment

Cost of sales of the apparel supply chain servicing segment decreased by HK$32.3 million, or approximately 3.3%, from HK$975.7 million for the year ended 31 December 2010 to HK$943.4 million for the year ended 31 December 2011, primarily as a result of decreases in raw materials and consumables used by HK$110.3 million, or approximately 53.4%, employee benefit expenses by HK$18.2 million, or approximately 34.9%, as well as processing fees by HK$6.4 million, or approximately 5.1%. This was partially offset by increases in merchandise purchased by HK$52.8 million, or approximately 8.9%, and change in inventories by HK$51.9 million, or approximately 163.6%. The decreases in raw materials and consumables used, processing fees and employment benefit expenses and the increase in merchandise purchased were mainly because we allocated a larger proportion of our production orders in whole to third-party manufacturers, hence decreased our in-house production or allocation of part of the production orders to our third-party manufacturers during the year.

Cost of sales of the apparel retail segment

Cost of sales of the apparel retail segment increased by HK$2.2 million, or approximately 10.9%, from HK$20.1 million for the year ended 31 December 2010 to HK$22.3 million for the year ended 31 December 2011, primarily as a result of the increase in sales during the year.

Gross profit and gross profit margin

Gross profit increased by HK$94.3 million, or approximately 87.4%, from HK$107.9 million for the year ended 31 December 2010 to HK$202.2 million for the year ended 31 December 2011. Gross profit margin increased from approximately 9.8% for the year ended 31 December 2010 to approximately 17.3% for the year ended 31 December 2011.

Gross profit and gross profit margin of the apparel supply chain servicing segment

Gross profit for the apparel supply chain servicing segment increased by HK$91.1 million, or approximately 108.6%, from HK$83.9 million for the year ended 31 December 2010 to HK$175.0 million for the year ended 31 December 2011 and the gross profit margin for the apparel supply chain servicing segment significantly increased by approximately 7.7% from approximately 7.9% for the year ended 31 December 2010 to approximately 15.6% for the year ended 31 December 2011. The increases in our gross profit and significant improvement in our gross profit margin were mainly attributable to the split purchases of raw materials and semi-finished products and split purchase arrangements for finished products from raw material suppliers and third-party during the course of production instead of a one-time purchase after entering into sales contracts with our customers, according to the agreed production or delivery schedule with our customers. While in accordance with our pricing policy we locked in higher average selling prices for the sales orders that we received during the end of 2010 and first quarter of 2011 when the raw material prices were high, we benefited from the lower raw material prices when we made split purchases of raw materials and semi-finished products and split purchase arrangements for finished products from raw material suppliers and third-party manufacturers when raw material prices gradually decreased during the year ended 31 December 2011 after it peaked in the first quarter of 2011. Sales orders that we received during the last quarter of 2010 and the first quarter of 2011, which were sold and recognised during the year ended 31 December 2011, accounted for over 50% of our revenue for the year ended 31 December 2011.

Moreover, the increase in the proportion of revenue generated from sales of products that entail higher gross profit margin, such as jackets and jeans, during the year also contributed to the increase of our gross profit margin during 2011.

Revenue derived from the sale of jackets accounted for approximately 16.4% of our revenue from the apparel supply chain servicing segment for the year ended 31 December 2011 compared to that of approximately 14.0% in the previous year and gross profit margin of jacket products also improved by around 10.1% compared to the previous year. Moreover, revenue derived from the sale of jeans and pants accounted for approximately 48.5% of our revenue from the apparel supply chain servicing segment for the year ended 31 December 2011 compared to that of approximately 47.3% for the previous year and gross profit margins of such products also improved by around 8.1% compared to the previous year. In addition to the benefit from the split purchase strategy mentioned above, the improvement in gross profit margins of our jacket products was also attributed to the sales orders of certain jacket products in 2011 which required more complicated production techniques and procedures, such as the combination of different materials (such as artificial leather and shell fabric) which required more production steps and higher skills in handling such production steps as well as treatment of fabric services such as addition of washing effect to form antique look of the leather jackets and the sales orders of some of the jeans products required additional value-adding production procedures such as more sophisticated washing features and fabric treatment to reach various texture effects (such as 3D whiskers, tinting, grinding, oil stain and paint stain, hand-brush and tie dye), addition of print effect and embroidery of brand logo and graphics as well as attachment of various decorative accessories (such as blinking stones and chips, laces and adding of contracting fabric at bottom hem).

As the pricing of our products is calculated based on, among other factors, the complexity and number of steps involved in the production process, the Directors believe that apparel products that involve more different production techniques and procedures are more beneficial for us to bargain a better price and hence achieve a better profit margin when we also increased our product prices due to the increase of raw material prices. As a result, such sales orders contributed to the improvement of our gross profit margin for the year ended 31 December 2011.

Gross profit and gross profit margin of the apparel retail segment

Gross profit for the apparel retail segment increased by HK$3.4 million, or approximately 14.2%, from HK$23.9 million for the year ended 31 December 2010 to HK$27.3 million for the year ended 31 December 2011, primarily as a result of the increase in revenue. The gross profit margin of the apparel retail segment remained relatively stable at approximately 55.1% for the year ended 31 December 2011, as compared to approximately 54.3% for the year ended 31 December 2010.

Selling expenses

Selling expenses increased by HK$0.6 million, or approximately 2.0%, from HK$29.9 million in the year ended 31 December 2010 to HK$30.5 million in the year ended 31 December 2011, primarily as a result of the increase in employee benefit expenses by approximately HK$2.5 million as we expanded the procurement team under the apparel retail segment to manage the growth of our apparel retail business. The increase was partially offset by decreases in promotional expenses and rental expense by approximately HK$1.0 million and HK$0.9 million, respectively, due to the decrease in the number of self-operated POS from 24 as at 31 December 2010 to 22 as at 31 December 2011.

Administrative expenses

Administrative expenses increased by HK$12.9 million, or approximately 24.2%, from HK$53.3 million for the year ended 31 December 2010 to HK$66.2 million in the year ended 31 December 2011, primarily as a result of listing expenses of approximately HK$6.6 million incurred during the year ended 31 December 2011 in preparation for the Global Offering, as well as an increase in repair and maintenance expenses by approximately HK$2.6 million which was related to renovation work conducted at the staff quarters in our Dongguan plant during the year.

Other income

Other income increased by HK$0.7 million, or approximately 6.4%, from HK$11.0 million for the year ended 31 December 2010 to HK$11.7 million for the year ended 31 December 2011. There was an increase in rental income from third-party manufacturers by approximately HK$2.2 million during the year, attributable to a lease arrangement entered into in July 2010 and thus rental income from this arrangement was reflected as the first full year in the year ended 31 December 2011, as well as two new lease arrangements entered into in June and November 2011, respectively. This was partially offset by a decrease in commission income from consignment sales service through retail outlets of approximately HK$2.2 million as we gradually decreased providing consignment sales service through retail outlets during the year.

Other gains — net

Other gains — net increased by HK$0.6 million, or approximately 600.0%, from HK$0.1 million for the year ended 31 December 2010 to HK$0.7 million for the year ended 31 December 2011, primarily as a result of the combined effect of a gain on disposal of our office premises in Hong Kong during the year ended 31 December 2011 of approximately HK$4.1 million, net foreign exchange gain of approximately HK$1.4 million and loss on the disposal of financial assets at fair value through profit or loss of approximately HK$4.6 million.

Finance income and costs

Our finance income increased by HK$0.4 million, or approximately 200.0%, from HK$0.2 million for the year ended 31 December 2010 to HK$0.6 million for the year ended 31 December 2011 primarily due to an increase in the effective interest rates per annum on bank deposits from approximately 0.8% as at 31 December 2010 to approximately 1.7% as at 31 December 2011.

Our finance costs increased by HK$2.2 million, or approximately 78.6%, from HK$2.8 million for the year ended 31 December 2010 to HK$5.0 million for the year ended 31 December 2011 primarily due to the increase in the amount of bank borrowings made during the year.

Profit before income tax

Profit before income tax increased by HK$80.2 million, or approximately 241.6%, from HK$33.2 million for the year ended 31 December 2010 to HK$113.4 million for the year ended 31 December 2011, primarily as a result of the factors described above.

Income tax expense

Income tax expense increased by HK$17.9 million, or approximately 153.0%, from HK$11.7 million for the year ended 31 December 2010 to HK$29.6 million for the year ended 31 December 2011, primarily as a result of the increase in profit before income tax for the year ended 31 December 2011.

Profit for the year

Profit for the year increased by HK$62.3 million, or approximately 289.8%, from HK$21.5 million for the year ended 31 December 2010 to HK$83.8 million for the year ended 31 December 2011, primarily because (i) we have strengthened the implementation of our pricing policy in late 2010 where product prices must be set with reference to a minimum gross profit target for each of our products taking into account the expected changes in production costs charged by our third-party manufacturers and the expected changes in the raw material costs, and this pricing policy allowed us to lock in higher average selling prices for the sales orders that we received during the end of 2010 and first quarter of 2011 when the raw material prices were relatively higher whereby after cotton prices peaked in the first quarter of 2011 and gradually decreased during the year ended 31 December 2011, we made split purchases of raw materials and semi-finished products and split arrangements for finished products during the course of production instead of a one-time purchase after our customers placed their purchase orders with us, thus enjoying lower raw material prices, hence we benefited from the split purchase strategy, which outweighed the potential benefit from bulk purchases. The Directors estimate the above mentioned pricing policy and the fluctuation of raw material prices allow us to capture a windfall gain which contributed to approximately HK$60.4 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$45.8 million, without taking into account of other operating expenses. The Directors believe that windfall gain of this kind is unlikely to occur during any period when prices of our raw materials remain stable; and (ii) there was an increase in the proportion of revenue generated from sales of products that entail higher gross profit margins, such as jackets, jeans and pants, during the year, of which contribution of revenue derived from the sales of such kind of products increased from approximately 61.3% of our total revenue from the apparel supply chain servicing segment for the year ended 31 December 2010 to approximately 64.9% for the year ended 31 December 2011 and the gross profit margins of these products also improved in the year ended 31 December 2011 as a result of more complicated steps involved in the production process for sales orders of these products. Gross profit margin of our jackets improved by around 10.1% that of our jeans and pants products improved by around 8.1% compared to the previous year. In general, when pricing our products for our apparel supply chain segment, we will consider factors such as the processing fees to be charged by the third-party manufacturers, the expected raw material costs, the design of the relevant product, the complexity and steps involved in the production process. The expected raw material costs, the complexity and the number of steps involved to manufacture a product have a direct correlation with the price that we could charge a product. The Directors believe that apparel products that involve more different production techniques and procedures are more beneficial for us as we could demand higher prices from our customers and hence provide us with more room to bargain a better price with our third party manufacturers. Further, we factor in expected increase of raw material prices during the negotiation stage with our customers thus setting a higher price for our apparel products. With more complex designs where more steps are involved in the production process, coupled with the expected increase of raw materials, we could lock in higher prices for our products and providing us more room for bargaining and to manage our costs so as to enhance our profit margin. As a result, such sales orders also contributed to the improvement of our gross profit margin for the year ended 31 December 2011. The Directors estimate this contributed to approximately HK$30.6 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$23.2 million, without taking into account of other operating expenses.

Year Ended 31 December 2009 Compared to Year Ended 31 December 2010

Revenue

Revenue increased by HK$273.5 million, or approximately 32.9%, from HK$830.2 million for the year ended 31 December 2009 to HK$1,103.7 million for the year ended 31 December 2010, primarily attributable to the revenue growth in the apparel supply chain servicing segment as discussed in detail below.

Revenue from the apparel supply chain servicing segment

Revenue from the apparel supply chain servicing segment increased by HK$260.6 million, or approximately 32.6%, from HK$799.1 million for the year ended 31 December 2009 to HK$1,059.7 million for the year ended 31 December 2010. The increase in revenue was mainly attributable to the increase in sales to our customers in the PRC and Hong Kong, which was a result of the recovery from the global economic downturn in the end of 2008 and early 2009. As a result, revenue generated from our top five customers increased by approximately HK$232.0 million during the year ended 31 December 2010 and accounted for approximately 89.0% of the increase in our total revenue from the apparel supply chain servicing segment.

Revenue from the apparel retail segment

Revenue from the apparel retail segment increased by HK$13.0 million, or approximately 41.8%, from HK$31.1 million for the year ended 31 December 2009 to HK$44.1 million for the year ended 31 December 2010, primarily as a result of the recovery from the global economic downturn in the end of 2008 and early 2009, as well as the increase in number of retail outlets from 87 as at 31 December 2009 to 93 as at 31 December 2010.

Cost of sales

Cost of sales increased by HK$259.4 million, or approximately 35.2%, from HK$736.5 million for the year ended 31 December 2009 to HK$995.9 million for the year ended 31 December 2010. The increase in cost of sales was mainly resulted from a combined effect of increases in merchandise purchased by approximately HK$228.3 million, or 58.6%, as well as processing fees by approximately HK$57.4 million, or 84.6%, and a decrease in employment benefit expenses by approximately HK$21.7 million, or 29.4%.

Cost of sales of the apparel supply chain servicing segment

Cost of sales of the apparel supply chain servicing segment increased by HK$251.7 million, or approximately 34.8%, from HK$724.0 million for the year ended 31 December 2009 to HK$975.7 million for the year ended 31 December 2010, primarily as a combined result of increases in merchandise purchased by approximately HK$215.3 million, or 57.3%, and processing fees by approximately HK$57.4 million, or 84.6%, partially offset by a decrease in employment benefit expenses by approximately HK$21.7 million, or 29.4%. The increase in merchandise purchased was mainly attributable to the increase in the number of apparel items sold during the year as well as the increase in the prices of raw materials, such as cotton yarns and fabrics, which led to higher purchase prices of finished goods from our third-party manufacturers. The increase in processing fees was mainly because we allocated a larger proportion of our production operations to third-party manufacturers during the year and there was an increase in average processing fees charged by third-party manufacturers. The decrease in employment benefit expenses was mainly due to the decrease in our in-house production during the year.

Cost of sales of the apparel retail segment

Cost of sales of the apparel retail segment increased by HK$7.6 million, or approximately 60.8%, from HK$12.5 million for the year ended 31 December 2009 to HK$20.1 million for the year ended 31 December 2010, primarily as a result of the increase in price of merchandise purchased, as well as the increase in our retail sales, leading to the increase in amount of merchandise purchased.

Gross profit and gross profit margin

Gross profit increased by HK$14.2 million, or approximately 15.2%, from HK$93.7 million for the year ended 31 December 2009 to HK$107.9 million for the year ended 31 December 2010. Gross profit margin slightly decreased from approximately 11.3% for the year ended 31 December 2009 to approximately 9.8% for the year ended 31 December 2010.

Gross profit and gross profit margin of the apparel supply chain servicing segment

Gross profit of the apparel supply chain servicing segment increased by HK$8.8 million, or approximately 11.8%, from HK$75.1 million for the year ended 31 December 2009 to HK$83.9 million for the year ended 31 December 2010, primarily as a result of the increase in revenue. The gross profit margin of the apparel supply chain servicing segment decreased from approximately 9.4% for the year ended 31 December 2009 to approximately 7.9% for the year ended 31 December 2010, primarily due to the increases in prices of finished goods purchased from third-party manufacturers, as well as the increase in the processing fees charged by third-party manufacturers as a result of the increasing trend of raw material prices in 2010 as we carrying out procurement after receiving orders from our customers.

Gross profit and gross profit margin of the apparel retail segment

Gross profit of the apparel retail segment increased by HK$5.2 million, or approximately 27.8%, from HK$18.7 million for the year ended 31 December 2009 to HK$23.9 million for the year ended 31 December 2010, primarily as a result of the increase in revenue. In particular, gross profit from our self-operated retail outlets increased by HK$3.3 million, or approximately 25.3%, mainly as a result of the increase in the number of self-operated retail outlets from 21 as at 31 December 2009 to 24 as at 31 December 2010. The gross profit margin of the apparel retail segment decreased from approximately 59.9% for the year ended 31 December 2009 to approximately 54.3% for the year ended 31 December 2010, primarily as a result of the expansion of our cooperative and franchised retail outlets. The proportion of revenue generated from cooperative and franchised retail outlets increased from 38.9% in the year ended 31 December 2009 to 43.4% in the year ended 31 December 2010. As cooperative and franchised retail outlets generally generate lower gross profit margins as 35% to 65% of the monthly sales amount of our cooperative retail outlets is paid to our cooperative partners as commission and apparel and accessory products are sold to our franchisees at 35% to 40% of the suggested retail price, an increase in the proportion of revenue from cooperative and franchised retail outlets resulted in a decrease in overall gross profit margin. Furthermore, as we offered additional discounts at some of our cooperative retail outlets during 2010 in order to promote sales at the geographical region where these cooperative retail outlets were located, the gross profit margin of cooperative retail outlets decreased from approximately 45.0% for the year ended 31 December 2009 to approximately 33.5% for the year ended 31 December 2010, leading to the overall decrease in gross profit margin of the apparel retail segment.

Selling expenses

Selling expenses increased by HK$8.0 million, or approximately 36.5%, from HK$21.9 million in the year ended 31 December 2009 to HK$29.9 million in the year ended 31 December 2010, primarily because we set up four new self-operated retail outlets during the second half of the year ended 31 December 2009 which the related operational expenses, such as rental, decoration and staff benefit expenses, were reflected as a full year for the first time in the year ended 31 December 2010, as well as the relevant expenses for five additional self-operated retail outlets established during the year ended 31 December 2010.

Administrative expenses

Administrative expenses increased by HK$9.6 million, or approximately 22.0%, from HK$43.7 million for the year ended 31 December 2009 to HK$53.3 million in the year ended 31 December 2010, primarily because we have commenced operations of our Huizhou plant in May 2009, thus the year ended 31 December 2010 was the first full year when employment benefit expenses of administrative personnel in our Huizhou plant were reflected.

Other income

Other income increased by HK$5.1 million, or approximately 86.4%, from HK$5.9 million for the year ended 31 December 2009 to HK$11.0 million for the year ended 31 December 2010, primarily led by increases in rental income from third-party manufacturers by approximately HK$3.5 million and commission income received from Shing Fun International by approximately HK$1.6 million, attributable to the increase in consignment sales of Shing Fun International's products in our POS during the year.

Other gains — net

Other gains decreased by HK$0.3 million, or approximately 75.0%, from HK$0.4 million for the year ended 31 December 2009 to HK$0.1 million for the year ended 31 December 2010, primarily because of a decrease in net foreign exchange gains of approximately HK$0.2 million and an increase in fair value loss in financial assets at fair value through profit or loss of approximately HK$0.1 million.

Finance income and costs

Our finance income remained relatively stable at approximately HK$0.2 million for the year ended 31 December 2010.

Our finance costs increased by HK$0.3 million, or approximately 12.0%, from HK$2.5 million for the year ended 31 December 2009 to HK$2.8 million for the year ended 31 December 2010 primarily due to the increase in the amount of our bills payable from approximately HK$59.7 million as at 31 December 2009 to approximately HK$71.1 million as at 31 December 2010 as well as the increase in average bank borrowings in the year ended 31 December 2010 compared to that for the year ended 31 December 2009.

Profit before income tax

Profit before income tax increased by HK$1.1 million, or approximately 3.4%, from HK$32.1 million for the year ended 31 December 2009 to HK$33.2 million for the year ended 31 December 2010, primarily as a result of the factors described above.

Income tax expense

Income tax expense increased by HK$3.0 million, or approximately 34.5%, from HK$8.7 million for the year ended 31 December 2009 to HK$11.7 million for the year ended 31 December 2010, primarily as a result of the increase in purchases of raw materials and consumables and processing fees paid to our third-party manufacturers which we were unable to obtain the necessary PRC tax receipts for us to deduct the relevant tax expenses in the PRC. As a result, our effective income tax rate increased from 24.8% for the year ended 31 December 2009 to 32.8% for the year ended 31 December 2010.

Profit for the year

Profit for the year decreased by HK$1.9 million, or approximately 8.1%, from HK$23.4 million for the year ended 31 December 2009 to HK$21.5 million for the year ended 31 December 2010, primarily as a result of the increases in prices of raw materials and finished goods purchased from suppliers and third-party manufacturers, as well as the increase in processing fees charged by third-party manufacturers as a result of the increasing trend of raw material prices in 2010, which affected our gross profit margin for the apparel supply chain servicing segment as we carrying out procurement after receiving orders from our customers.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure requirements. Since our establishment, our working capital needs and capital expenditure requirements have been financed through a combination of funds generated from operations and short-term bank borrowings.

The following table is a condensed summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	69,064	(15,529)	59,330	13,999	39,455
Net cash (used in)/generated from investing activities	(10,476)	(21,074)	16,397	(1,541)	(5,802)
Net cash generated from/(used in) financing activities	14,736	(11,540)	(40,169)	19,435	(54,889)
Net increase/(decrease) in cash and cash equivalents	73,324	(48,143)	35,558	31,893	(21,236)
Exchange gains/(losses) on cash and cash equivalents	1,020	2,823	3,806	2,102	(795)
Cash and cash equivalents at beginning of year/period	25,098	99,442	54,122	54,122	93,486
Cash and cash equivalents at end of year/period	99,442	54,122	93,486	88,117	71,455

Cash flows from/(used in) operating activities

We derive our cash generated from operating activities principally from the receipt of payments for the sale of our products. Our cash used in operating activities is principally for payments for purchase of raw materials from raw material suppliers and finished goods purchased from third-party manufacturers.

For the six months ended 30 June 2012, we recorded cash generated from operating activities of approximately HK$39.5 million, which comprised operating profit before working capital changes of approximately HK$31.6 million, adjusted for net working capital inflow of approximately HK$28.8 million, interest paid of approximately HK$1.3 million and income tax paid of approximately HK$19.6 million. The net working capital inflow was mainly the result of a decrease in trade and other receivables of approximately HK$100.6 million, which was partially offset by a decrease in trade and other payables of approximately HK$63.9 million and an increase in prepayments of approximately HK$5.2 million. During the six months ended 30 June 2012, there was a one-off increase in cash received for the settlement of trade and other receivables in relation to an increase in sales towards the end of the year ended 31 December 2011 which the Directors believe was because customers of our apparel supply chain servicing business were stocking up for the relatively early Chinese New Year holiday season in January 2012 and such sales amount had become due during the six months ended 30 June 2012.

For the year ended 31 December 2011, we recorded net cash generated from operating activities of approximately HK$59.3 million, which comprised operating profit before working capital changes of approximately HK$120.3 million, adjusted for net working capital outflow of approximately HK$43.2 million, interest paid of approximately HK$5.0 million and income tax paid of approximately HK$12.8 million. The net working capital outflow was mainly the result of a decrease in trade and other payables of approximately HK$68.5 million and an increase in trade and other receivables of approximately HK$38.3 million. Such working capital outflow was partially offset by decreases in prepayments of approximately HK$45.4 million and inventories of approximately HK$19.3 million.

For the year ended 31 December 2010, we recorded net cash used in operating activities of approximately HK$15.5 million, which comprised operating profit before working capital changes of approximately HK$42.7 million, adjusted for net working capital outflow of approximately HK$49.9 million, interest paid of approximately HK$2.8 million and income tax paid of approximately HK$5.6 million. The net working capital outflow was the result of increases in trade and other receivables, prepayments and inventories of approximately HK$54.0 million, HK$44.7 million and HK$38.5 million, respectively. Such working capital outflow was partially offset by an increase in trade and other payables of approximately HK$92.3 million.

For the year ended 31 December 2009, we recorded net cash generated from operating activities of approximately HK$69.1 million, which comprised operating profit before working capital changes of approximately HK$39.5 million, adjusted for net working capital inflow of approximately HK$38.0 million, interest paid of approximately HK$2.5 million and income tax paid of approximately HK$6.0 million. The net working capital inflow was the result of decreases in inventories, prepayments and trade and other receivables of approximately HK$24.1 million, HK$8.4 million and HK$5.5 million, respectively, as well as an increase in trade and other payables of approximately HK$10.1 million. Such working capital inflow was partially offset by an increase in restricted cash of approximately HK$10.0 million.

Cash flows from/(used in) investing activities

We derive our cash generated from investing activities primarily from interest received. Our cash used in investing activities is primarily for purchases of property, plant and machinery.

Net cash used in investing activities was approximately HK$5.8 million in the six months ended 30 June 2012. This was primarily due to purchases of property, plant and equipment of approximately HK$6.3 million, partially offset by interest received of approximately HK$0.5 million.

Net cash from investing activities was approximately HK$16.4 million in the year ended 31 December 2011. This was primarily due to proceeds from disposal of property, plant and equipment of approximately HK$20.0 million, partially offset by cash used in the purchases of property, plant and equipment of approximately HK$4.1 million.

Net cash used in investing activities was approximately HK$21.1 million in the year ended 31 December 2010. This was primarily due to purchases of property, plant and equipment of approximately HK$21.2 million.

Net cash used in investing activities was approximately HK$10.5 million in the year ended 31 December 2009. This was primarily due to purchases of property, plant and equipment of approximately HK$10.9 million.

Cash flows from/(used in) financing activities

We derive our cash generated from financing activities principally from borrowings and capital injection from shareholders. Our cash used in financing activities is principally for repayments of borrowings and payment of dividends.

For the six months ended 30 June 2012, we recorded net cash used in financing activities of approximately HK$54.9 million. The cash outflow represented dividends paid of approximately HK$67.9 million and repayments of borrowings of approximately HK$2.6 million. This is partially offset by proceeds from borrowings of approximately HK$15.6 million.

For the year ended 31 December 2011, we recorded net cash used in financing activities of approximately HK$40.2 million. The cash outflow represented repayments of borrowings of approximately HK$58.6 million and dividends paid of approximately HK$31.0 million. This is partially offset by proceeds from borrowings of approximately HK$48.4 million.

For the year ended 31 December 2010, we recorded net cash used in financing activities of approximately HK$11.5 million. The cash outflow represented repayments of borrowings of approximately HK$131.5 million. This is partially offset by proceeds from borrowings of approximately HK$118.6 million.

For the year ended 31 December 2009, we recorded net cash generated from financing activities of approximately HK$14.7 million. The cash inflow represented proceeds from borrowings of approximately HK$50.1 million. This is partially offset by dividends paid of approximately HK$23.0 million and repayments of borrowings of approximately HK$12.9 million.

INDEBTEDNESS

Our outstanding balance of bank borrowings and financial lease liabilities as at 31 December 2009, 2010 and 2011 and 30 June 2012 were approximately HK$47.2 million, HK$36.4 million, HK$25.3 million and HK$37.9 million, respectively. The following table sets out our bank borrowings and finance lease liabilities as at the dates indicated:

	31 December			30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings secured by trade receivables and guarantees provided by related parties and subsidiaries	9,005	—	—	602
Bank borrowings secured by property, plant and equipment and guarantees provided by related parties and subsidiaries	—	9,025	—	—
Bank borrowings secured by restricted cash and guarantees provided by related parties and subsidiaries	10,000	—	—	—
Bank borrowings secured by guarantees provided by related parties	28,155	25,250	24,116	36,516
Total bank borrowings	47,160	34,275	24,116	37,118
Finance lease liabilities	—	2,144	1,224	746
Total	47,160	36,419	25,340	37,864

The amounts of bank borrowings are repayable as follows:

	31 December			30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	37,910	22,968	24,116	37,118
More than 1 year but not exceeding 2 years	5,068	6,082	—	—
More than 2 years but not exceeding 5 years	4,182	5,225	—	—
	47,160	34,275	24,116	37,118

Note: The amount of bank borrowings due over 1 year is based on the scheduled repayment dates as set out in the loan agreements without taking into account any repayment on demand clause.

The following table sets out the range of interest rates for our outstanding bank borrowings as at the respective dates during the Track Record Period:

	31 December			30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest rates	2.1%–6.5%	1.2%–6.5%	2.2%–6.9%	2.2%–3.9%

The decrease in our total bank borrowings as at 31 December 2009, 2010 and 2011 was mainly a result of our strategy to focus our resources on the provision of apparel supply chain services and maintain a lean capital base. As a result, we have been gradually increasing the proportion of production orders allocated to third-party manufacturers during the Track Record Period. Production facilities that we previously used for in-house production at four different premises had been leased out to different third-party manufacturers and we ceased to carry out any in-house production since November 2011. Because of this strategy, we decreased the need of bank borrowings to finance our capital expenditures on plant and machineries for our production facilities and have been gradually repaying bank borrowings that we have previously obtained for financing our capital expenditures before the adoption of such strategy. The increase in our total bank borrowings as at 30 June 2012 was primarily because we took out more borrowings in preparation for the traditional peak season from September to December each year.

As at 31 October 2012, being the most recent practicable date for the purpose of this indebtedness statement in this prospectus, the Group had the following bank borrowings and finance lease liabilities:

	31 October 2012
	HK$'000 (unaudited)
Bank borrowings secured by restricted bank deposits and guaranteed by guarantees provided by related parties	81,833
Finance lease liabilities	428
Total	82,261

The amounts of bank borrowings are repayable as follows:

	31 October 2012
	HK$'000 (unaudited)
Within one year	52,998
More than 1 year but not exceeding 2 years	16,763
More than 2 years but not exceeding 5 years	12,500
	82,261

As at 31 October 2012, the total amount of facilities available to us amounted to approximately HK$362.2 million. On the same date, our indebtedness amounted to approximately HK$82.3 million and mainly represented bank borrowings of approximately HK$81.8 million, which was secured by restricted bank deposits and guaranteed by guarantees provided by related parties. The interest rates of such bank borrowings ranged from 2.2% to 3.9%.

For details of the guarantees provided by related parties, please refer to Note 30 of Section II to the Accountant's Report in Appendix I to this prospectus. As confirmed by the Directors, there were no material defaults in payment of bank borrowings during the Track Record Period and up to the Latest Practicable Date. All guarantees provided by related parties will be fully released upon Listing.

Save as disclosed in this "Indebtedness" section, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 October 2012. We confirm that there has not been any material change in our indebtedness position since 31 October 2012.

CAPITAL EXPENDITURES

The Group's capital expenditures have principally consisted of expenditures on property, plant and equipment and intangible assets. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we incurred capital expenditures in the amounts of HK$10.9 million, HK$23.5 million, HK$3.3 million and HK$5.9 million, respectively. The following tables sets out the Group's historical capital expenditures during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
Historical capital expenditures	**2009**	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	10,906	23,349	3,216	5,845
Intangible assets	3	102	60	91
Total	10,909	23,451	3,276	5,936

The capital expenditure incurred in the year ended 31 December 2009 was primarily related to renovation expenses for our office premises and plant and machineries bought for our Huizhou plant which was newly established during the year. The capital expenditure incurred in the year ended 31 December 2010 was primarily related to the purchase of our office premises in Hong Kong which was subsequently sold to Shing Fun International in December 2011, and certain motor vehicles. The capital expenditure incurred in the year ended 31 December 2011 was primarily related to plant and machineries bought for our production facilities in our Huizhou plant. The capital expenditure incurred in the six months ended 30 June 2012 represented furniture and fixtures purchased for our Unisex Outlets and Unisex Life Outlets as well as renovation carried out at our self-operated POS.

The following table sets out the Group's projected capital expenditures for the year ending 31 December 2012:

	Year ending 31 December 2012
	HK$'000
Property, plant and equipment	11,676

COMMITMENTS

The Group's commitments relate to future aggregate minimum lease payments under non-cancellable operating leases, which amounted to HK$52.3 million in the aggregate as at 30 June 2012. The following table sets out the breakdown of our commitment as at 30 June 2012:

	30 June 2012
	HK$'000
Within one year	11,500
In the second to fifth year inclusive	23,451
Over five years	17,331
Total	52,282

NET CURRENT ASSETS/(LIABILITIES)

Details of our current assets and liabilities as at the dates indicated are as follows:

	31 December			30 June	31 October
	2009	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Inventories	51,071	89,545	70,249	71,421	95,831
Trade and other receivables	138,562	192,832	231,119	130,493	193,274
Prepayments	15,467	60,202	14,752	19,912	10,575
Restricted bank deposits	26,662	31,736	32,696	34,317	37,477
Cash and cash equivalents	99,442	54,122	93,486	71,455	97,262
	331,204	428,437	442,302	327,598	434,419
Current liabilities					
Trade and other payables	281,428	375,840	307,286	243,372	298,140
Current income tax liabilities	6,672	13,040	29,757	16,881	6,819
Dividend payables	—	20,000	6,000	—	—
Derivative financial instruments	—	132	—	—	—
Borrowings	47,160	35,194	25,087	37,734	82,164
	335,260	444,206	368,130	297,987	387,123
Net current (liabilities)/assets	(4,056)	(15,769)	74,172	29,611	47,296

Our net working capital improved during the four months ended 31 October 2012, being the most recent practicable date for the purpose of this prospectus. We recorded a net current assets position of approximately HK$29.6 million as at 30 June 2012 to approximately HK$47.3 million as at 31 October 2012. Such improvement was primarily due to an increase in trade and other receivables as a result of the increase in revenue generated during the period, as we have entered our traditional peak season, which is from September to December each year. The increase in current assets was partially offset by increases in trade and other payables and borrowings obtained for purchasing raw materials, semi-finished and finished products to manage the increase in sales for the traditional peak season.

Our net current assets decreased from approximately HK$74.2 million as at 31 December 2011 to approximately HK$29.6 million as at 30 June 2012. This was primarily attributable to the decrease in trade and other receivables from approximately HK$231.1 million as at 31 December 2011 to approximately HK$130.5 million as at 30 June 2012, as a result of the decrease in revenue during the period, as well as the decrease in other receivables from related parties as we ceased the consignment sales service that we provided to Shing Fun International. In addition, there was a decrease in cash and cash equivalents as we paid dividends of approximately HK$67.9 million during the period.

Our net working capital improved during the year ended 31 December 2011. We recorded a net current assets position of approximately HK$74.2 million as at 31 December 2011, compared to a net current liabilities position of approximately HK$15.8 million as at 31 December 2010. The improvement in net current assets position as at 31 December 2011 was mainly due to the increase in cash flows from operating activities and the decrease in short-term borrowings during the period. This was mainly a result of the increase in profit for the year from approximately HK$21.6 million in the year ended 31 December 2010 to approximately HK$83.8 million in the year ended 31 December 2011. Net cash generated from operating activities during the year ended 31 December 2011 amounted to approximately HK$59.3 million, while we incurred a net cash used in operating activities of HK$15.5 million for the year ended 31 December 2010. In addition, the amount of short-term borrowings decreased from approximately HK$35.2 million as at 31 December 2010 to approximately HK$25.1 million as at 31 December 2011.

We recorded a net current liabilities position of approximately HK$4.1 million and HK$15.8 million as at 31 December 2009 and 2010, respectively. Our net current liabilities position as at 31 December 2009 was mainly because we financed certain capital expenditure with our cash and short-term bank borrowings. Such capital expenditure amounted to approximately HK$10.9 million and was incurred for the renovation of our office premises and the purchase of certain plant and machineries for our Huizhou plant which was newly established during the year. On the other hand, the net current liabilities for the year ended 31 December 2010 was mainly due to the acquisition of our office premises in Hong Kong and the purchase of certain motor vehicles with our cash and cash equivalents, which amounted to approximately HK$21.2 million.

For details of our capital expenditures, please refer to the paragraph headed "Capital Expenditures" in this section of the prospectus.

Given our credit history and relationship with our principal lenders, our current credit status and the current availability of capital in the PRC, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings. As at 30 June 2012, the total amount of unutilised banking facilities available to us amounted to approximately HK$287.8 million, which were secured by guarantees provided by related parties and subsidiaries. All guarantees provided by related parties will be fully released upon Listing. There are no material restrictive covenants on the banking facilities available to the Group. The Directors confirm that we are not in breach of any covenants in relation to the banking facilities, there is no credit tightening in the places where we currently operate and our ability to obtain external financing is not affected as at the Latest Practicable Date. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities, the net proceeds from the Global Offering and through short-term bank borrowings and we currently do not have any external financing plans.

INVENTORY ANALYSIS

Our inventories comprise raw materials, work in progress and finished goods, net of provision for impairment of inventories. Finished goods, which represented the largest component of our inventories during the Track Record Period, comprised of apparel we produced in our production facilities as well as apparel and accessories products we purchased from our third-party manufacturers. Work in progress represented semi-finished products currently under production either in our own production facilities or those allocated to third-party manufacturers. Raw materials represented fabrics and ancillary raw materials such as buttons and zippers.

The value of our inventories accounted for approximately 15.4%, 20.9%, 15.9% and 21.8% of our total current assets as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

Our inventories are determined on a weighted average basis, which is based upon the average cost of all inventories bought during the period. As at 31 December 2009, 2010 and 2011 and 30 June 2012, our inventory levels, comprising mainly of finished goods, amounted to approximately HK$51.1 million, HK$89.5 million, HK$70.2 million and HK$71.4 million, respectively. The following table is a summary of our balance of inventories as at the dates indicated:

	31 December			30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	9,815	8,303	12,780	14,677
Work in progress	19,462	25,676	25,344	17,288
Finished goods	24,794	59,347	35,125	43,456
	54,071	93,326	73,249	75,421
Less: provision for impairment of inventories	(3,000)	(3,781)	(3,000)	(4,000)
Total	51,071	89,545	70,249	71,421

Our inventory balance increased from HK$51.1 million as at 31 December 2009 to HK$89.5 million as at 31 December 2010 because a considerable amount of orders from a customer that had completed production and pending to be delivered as at the year end. The decrease in our inventory balance to HK$70.2 million as at 31 December 2011 was mainly attributable to the increase in sales and goods delivered in December 2011, which the Directors believe that customers of our apparel supply chain servicing business were stocking up for the relatively early Chinese New Year holiday season in January 2012. Our inventory balance increased from HK$70.2 million as at 31 December 2011 to HK$71.4 million as at 30 June 2012 primarily because certain amount of orders from a customer where production has been completed but pending to be delivered as at 30 June 2012.

The adequacy of our inventories is reviewed by our management on a half-yearly basis. Our policy on obsolete or damaged inventories is to write off such inventories when our management considers the obsolete or damaged inventories to have no residual value. In addition, specific provisions are made on the diminution in market value of the inventories should our management decide that the current level of provision is inadequate.

As at 31 December 2009, 2010 and 2011 and 30 June 2012, the provision for impairment of inventories amounted to approximately HK$3.0 million, HK$3.8 million, HK$3.0 million and HK$4.0 million, respectively, which mainly represented obsolete inventories.

The following table sets out our inventory turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
Inventory turnover days[(1)]	31	26	30	35

Note:

(1) Inventory turnover days are computed by dividing the average inventory balance by the cost of sales for the corresponding year/period and then multiplied by 365/180 days.

The decrease in inventory turnover days from 31 days in the year ended 31 December 2009 to 26 days in the year ended 31 December 2010 was mainly attributable to an increase in merchandise purchased, which represented finished goods purchased from third-party manufacturers, during the year. The increase in inventory turnover days to 30 days in the year ended 31 December 2011 was mainly because of the relatively large inventory balance as at 31 December 2010, as there was a considerable amount of orders from a customer that had completed production and pending to be delivered as at the year end, which led to a large average inventory balance for the year ended 31 December 2011. The further increase in inventory turnover days from 30 days in the year ended 31 December 2011 to 35 days in the six months ended 30 June 2012 was primarily due to certain amount of finished goods were not yet delivered until after period end.

Out of our inventory of approximately HK$71.4 million as at 30 June 2012, approximately HK$44.2 million or 61.8%, was subsequently sold or utilised as at 31 October 2012, being the most recent practicable date for such purposes and no amounts were written off due to damage or loss. The majority of the remaining amount of unsold or unutilised inventory of approximately HK$27.2 million was related to inventory for stock required to operate our retail outlets.

TRADE AND OTHER RECEIVABLES ANALYSIS

Our trade receivables mainly represented receivables from customers of our apparel supply chain servicing business. We regularly monitor and review the credit conditions of our customers. The aging of our trade receivables is being reviewed each month and all overdue trade receivables are being followed up. For customers with trade receivables balances that are overdue by 90 days, we may cease supplying products to them or take legal actions if they could not provide us with valid reasons for the late settlement. We may also provide full allowance for certain trade receivables, subject to approval from our chief executive officer and chief financial officer, if (i) the relevant customer has entered into liquidation; or (ii) balances have been overdue by 180 days without any special reason. The following table sets out the breakdown of our trade and other receivables as at the dates indicated:

	31 December			30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	122,529	172,589	206,422	122,086
— Due from third parties	122,529	172,589	204,709	122,086
— Due from related parties	—	—	1,713	—
Other receivables	16,229	20,439	24,697	8,407
— Due from third parties	8,461	7,358	8,484	8,407
— Due from related parties	7,768	13,081	16,213	—
	138,758	193,028	231,119	130,493
Less: provision for impairment of receivables	(196)	(196)	—	—
	138,562	192,832	231,119	130,493

Our trade receivables balance increased from HK$122.5 million as at 31 December 2009 to HK$172.6 million as at 31 December 2010 and further to HK$206.4 million as at 31 December 2011, mainly as a result of the increase in sales during the Track Record Period. Our trade receivables balance decreased from HK$206.4 million as at 31 December 2011 to HK$122.1 million as at 30 June 2012 primarily because of the decrease in sales during the period. Average monthly sales for the year ended 31 December 2011 was approximately HK$97.3 million while that for the six months ended 30 June 2012 was only approximately HK$74.5 million. For further details of the decrease in sales for the six months ended 30 June 2012, please refer to the paragraph headed "Period to Period Comparison of Results of Operations — Six months ended 30 June 2011 Compared to Six months ended 30 June 2012 — Revenue" in this section of the prospectus.

The following table sets out the aging analysis of our trade receivables as at the dates indicated:

	31 December			30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Age				
0 to 30 days	97,656	149,784	151,414	83,080
31 to 90 days	22,695	18,020	48,596	27,707
91 to 180 days	1,938	4,615	5,702	8,081
Over 181 days	240	170	710	3,218
Total	122,529	172,589	206,422	122,086

The trade receivables that were past due but not impaired amounted to HK$2.2 million, HK$4.8 million, HK$6.4 million and HK$11.3 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. As at 30 September 2012, approximately 82.8% of such overdue balances as at 30 June 2012 have been settled. The increase in trade receivables that were past due but not impaired as at 30 June 2012 was mainly because we were still in the process of reconciling the sales and trade receivables amount with one of our major customers as at 30 June 2012 and there was a delay in payments from another customer which is an apparel sourcing company located in Europe. As at 30 September 2012, all of our overdue trade receivables balances from the major customer has been subsequently settled, while approximately 95.2% of our overdue trade receivables balances from the aforesaid customer in Europe have been settled. The remaining balances relate to a number of independent customers for whom there is no recent history of default. The Directors believe no impairment is necessary as there has not been a significant change in the credit quality of these customers and the balances are still considered fully recoverable.

As at 31 October 2012, being the most practicable date, approximately HK$120.1 million or 98.3% of our trade receivables as at 30 June 2012 have been settled.

We generally grant customers of our apparel supply chain servicing business a credit period of 30 to 90 days and they are generally required to settle their trade balances with us by bank transfer or by cheque. Under the apparel retail segment, consumers who purchase from our self-operated retail outlets are required to pay at the time of purchase by cash or credit card. On the other hand, our cooperative partners are required to settle their payments through bank transfer on a monthly basis. For our franchisees, they are required to settle the full purchase amount within three days after making the purchase order. The following table sets out our trade receivables turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
Trade receivables turnover days[(1)]	47	49	59	66

Note:

(1) Trade receivables turnover days are computed by dividing the average trade receivables balance by the revenue for the corresponding year/period and then multiplied by 365/180 days.

The trade receivables turnover days for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 fall within the credit period we offer our customers and franchisees. Trade receivables turnover days for the years ended 31 December 2009 and 2010 remained relatively stable at 47 days and 49 days, respectively. The increase in trade receivables turnover days to 59 days for the year ended 31 December 2011 was mainly a result of the increase in sales near year end, which the Directors believe that customers of our apparel supply chain servicing business were stocking up for the relatively early Chinese New Year holiday season in January 2012, and such sales amount was not yet due for settlement by our customers as at the year end. As a result, a considerable amount of trade receivables was recognised as at 31 December 2011. Our trade receivables turnover days increased to 66 days for the six months ended 30 June 2012 was primarily due to an increase in trade receivables that were past due but not impaired as at 30 June 2012 as a result of delay in payments from certain customers, as discussed above. As our trade receivables turnover days for the Track Record Period are well maintained within the credit period we grant to our customers, the Directors consider that the Group's debt collection procedures are effective.

Other receivables from third parties mainly represented rental deposits for our office premises, warehouse and self-operated retail outlets, rental and utilities receivable from third-party manufacturers for our leased machineries and value-added tax receivable and amounted to HK$8.5 million, HK$7.4 million, HK$8.5 million and HK$8.4 million as at 31 December 2009, 2010 and 2011 and 30 June 2012. Other receivables from related parties, which amounted to HK$7.8 million, HK$13.1 million, HK$16.2 million and nil as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, mainly represented commission income receivable from Shing Fun International for our consignment sales service provided as further detailed in the paragraph headed "Principal income statement components — Other income" in this section of the prospectus. Receivables due from related parties were interest free, unsecured and had no fixed repayment terms and have been fully settled as at 30 June 2012.

TRADE AND OTHER PAYABLES ANALYSIS

Our trade and other payables primarily represented payables to our raw material suppliers and third-party manufacturers, advances from customers, amounts due to related parties and other payables. The following table sets out the breakdown of our trade and other payables as at the dates indicated:

	31 December			30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	146,249	161,447	176,683	159,928
— Due to third parties	120,978	160,421	172,912	150,567
— Due to related parties	25,271	1,026	3,771	9,361
Bills payable	59,748	71,062	58,973	43,250
Advances from customers	6,420	1,853	738	1,122
Due to related parties	14,237	26,374	11,858	11,589
Other payables	54,774	115,104	59,034	27,483
	281,428	375,840	307,286	243,372

Our trade payables balance increased from HK$146.2 million as at 31 December 2009 to HK$161.4 million as at 31 December 2010. This was mainly attributable to the increase in trade payables to suppliers and third-party manufacturers as a result of the increase in purchase of raw materials and finished and semi-finished goods to cope with our increase in sales during the year. The increase was partially offset by a significant decrease in trade payables to related parties, which was mainly a result of a significant decrease in purchases of raw materials from Junda Huizhou during the year as we engaged in other third-party raw material suppliers which we believe could offer more competitive prices. For further details of Junda Huizhou, please refer to the paragraph headed "Relationship with Controlling Shareholders — Excluded Businesses" in this prospectus. Our trade payables balance further increased to HK$176.7 million as at 31 December 2011 mainly because there was a decrease in the number of raw material suppliers and third-party manufacturers that required us to make partial or full prepayments during the year which the Directors believe was the industry norm during that period, leading to the increase in amount due to them as at the year end. As at 30 June 2012, our trade payables balance decreased to HK$159.9 million primarily because of the decrease in purchase of raw materials, and finished and semi-finished goods as a result of our decrease in sales during the period. The purchase of raw materials, consumables, apparels and provision of production services from related parties was ceased in 2012 and the trade payable balances with related parties, which were interest free, unsecured and had no fixed repayment terms, were fully settled prior to the Listing. The Directors confirm that, we did not instruct our third-party manufacturers to procure raw materials, consumables, apparels and production services from our related parties or the Excluded Group during the Track Record Period and also do not plan to do so in the foreseeable future. The following table sets out the aging analysis of our trade payables as at the dates indicated:

	31 December			30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Age				
0 to 30 days	67,456	95,077	114,274	78,622
31 to 90 days	60,704	31,427	49,859	64,980
91 to 180 days	13,117	11,841	5,642	12,288
Over 181 days	4,972	23,102	6,908	4,038
Total trade payables	146,249	161,447	176,683	159,928

We generally enjoy a credit term of up to 90 days to settle payment. The following table sets out our trade payables turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
Trade payables turnover days(1)	64	56	64	83

Note:

(1) Trade payables turnover days are computed by dividing the average trade payables balance by the cost of sales for the corresponding year/period and then multiplied by 365/180 days.

The trade payables turnover days for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 fall within the credit period offered by our suppliers and third-party manufacturers. Trade payable turnover days decreased from 64 days for the year ended 31 December 2009 to 56 days for the year ended 31 December 2010 as there was an increase in the number of raw material suppliers and third-party manufacturers that required us to pay in advance during the year, mainly a result of the increase in raw material price. Trade payables turnover days increased to 64 days for the year ended 31 December 2011 mainly because less raw material suppliers and third-party manufacturers required us to pay in advance during the year. For the six months ended 30 June 2012, although the trade payables turnover days increased to 83 days, it is still within the credit period granted by our suppliers and third-party manufacturers.

As at 31 October 2012, being the most practicable date, approximately HK$153.2 million or 95.8% of our trade payables as at 30 June 2012 have been settled.

Other payables to related parties mainly represented funds received from Mr. Huang for our operational needs. Such amount was settled prior to the Listing. All balances with related parties are interest free, unsecured and have no fixed payment terms. The Directors confirm that there were no material defaults in payment of trade and other payables during the Track Record Period and up to the Latest Practicable Date.

OTHER KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
				(unaudited)	
Current ratio[1]	1.0	1.0	1.2	1.1	1.1
Return on assets[2]	6.9%	5.1%	17.6%	4.3%	5.1%
Return on equity[3]	77.5%	65.6%	120.2%	44.7%	25.2%
Gearing ratio[4]	152.2%	105.3%	24.2%	133.6%	59.5%
Debt to equity ratio[5]	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Current ratio equals current assets over current liabilities as at the end of the year/period.

(2) Return on assets equals profit for the year/period over average total assets and multiplied by 100%.

(3) Return on equity equals profit for the year/period over average total equity and multiplied by 100%.

(4) Gearing ratio equals total borrowings as at the end of the year/period divided by total equity as at the end of the year/period and multiplied by 100%.

(5) Debt to equity ratio equals total borrowings net of cash and bank balances as at the end of the year/period divided by total equity as at the end of the year/period and multiplied by 100%.

Current ratio

Our current ratio remained relatively stable during the Track Record Period at approximately 1.0 as at 31 December 2009 and 2010, 1.2 as at 31 December 2011 and 1.1 as at 30 June 2012.

Return on assets

Return on assets was approximately 6.9%, 5.1%, 17.6% and 5.1% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The decrease in return on assets in the year ended 31 December 2010 was a result of the increase in total assets as our business expands. The significant increase in return on assets in the year ended 31 December 2011 was mainly attributable to the significant increase in profit generated during the year. Return on assets was approximately 4.3% and 5.1% for the six months ended 30 June 2011 and 2012, respectively. The increase was primarily due to the decrease in average total asset primarily resulted from the disposal of property, plant and equipment of approximately HK$15.9 million during the second half of the year ended 31 December 2011.

Return on equity

Return on equity was approximately 77.5%, 65.6%, 120.2% and 25.2% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The decline in return on equity for the year ended 31 December 2010 was mainly due to the decrease in profit for the year as well as an increase in total equity from currency translation differences. The increase in return on equity for the year ended 31 December 2011 was mainly due to the significant increase in profit generated during the year. Return on equity were approximately 44.7% and 25.2% for the six months ended 30 June 2011 and 2012, respectively. The decrease was primarily due to the increase in average total equity for the six months ended 30 June 2012 as a result of the accumulation of profit generated during the year ended 31 December 2011.

Gearing ratio

Our gearing ratio was approximately 152.2%, 105.3%, 24.2% and 59.5% as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. The decline in gearing ratio as at 31 December 2010 was mainly due to the decrease in total borrowings from approximately HK$47.2 million as at 31 December 2009 to approximately HK$36.4 million as at 31 December 2010. The further decline in gearing ratio as at 31 December 2011 was mainly due to the decrease in total borrowings from approximately HK$36.4 million as at 31 December 2010 to approximately HK$25.3 million as at 31 December 2011 and the significant increase in profit generated during the year. The increase in gearing ratio as at 30 June 2012 was primarily attributable to the increase in borrowings from approximately HK$25.3 million as at 31 December 2011 to approximately HK$37.9 million as at 30 June 2012, as well as a decrease in total equity as a result of the declaration of dividends which amounted to approximately HK$61.9 million during the year.

Debt to equity ratio

The Group had cash and bank balances in excess of bank borrowings as at 31 December 2009, 2010 and 2011 and 30 June 2012.

WORKING CAPITAL

The Directors believe that after taking into account the financial resources presently available to us, including the internally generated funds, the available banking facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present working capital requirements for at least in the next 12 months from the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have no off-balance sheet arrangement.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have significant contingent liabilities save as certain financial guarantee contracts disclosed in Note 30 of Section II to the Accountant's Report set out in Appendix I to this prospectus. In addition, the Group is currently not involved in any material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings involving the Group. If the Group is involved in any material legal proceedings in the future, and based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated, we would then record a contingent liability.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 28 September 2011. As at 30 June 2012, no distributable reserves were available for distribution to our equity holders.

DIVIDEND AND DIVIDEND POLICY

No dividend has been paid or declared by the Company since its incorporation. Companies now comprising the Group had declared dividends of approximately HK$23.0 million, HK$21.5 million, HK$17.0 million and HK$61.9 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. On 10 September 2012, Jointex Garment, a subsidiary of the Company declared a dividend of approximately HK$20.5 million for the year ended 31 December 2011 to the then shareholders, who are the existing shareholders of Sky Halo or their holding companies. Such dividend has been paid by the end of September 2012 using internally generated resources of the company.

Dividends may be paid out by way of cash or by other means that we consider appropriate. The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, the Board of Directors currently intends to recommend at the relevant shareholders meetings an annual dividend of not less than 30% of the net profit available for distribution to the Shareholders in the foreseeable future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of us since 30 June 2012 and there is no event since 30 June 2012 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only and it may not give a true picture of our net tangible assets following the Global Offering. The following unaudited pro forma adjusted net tangible assets is set out here to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2012 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2012	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$0.82 per Share	63,389	110,616	174,005	0.29
Based on an Offer Price of HK$0.58 per Share	63,389	75,518	138,907	0.23

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2012 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2012 of HK$63,604,000 with an adjustment for the intangible asset as at 30 June 2012 of HK$215,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$0.58 and HK$0.82 per Share, respectively, after deduction of estimated related fees and expenses and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2012, in particular, the unaudited pro forma adjusted net tangible assets has not been adjusted for the effect of a dividend of HK$20,535,000 declared and paid by the Group subsequent to 30 June 2012. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be reduced to HK$0.20 and HK$0.26 based on the Offer Price of HK$0.58 per Share and HK$0.82 per Share respectively.

(4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 600,000,000 Shares were in issue immediately following the completion of the Capitalisation Issue and the Global Offering but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the Repurchase Mandate.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in RMB and HK$. The majority of assets and liabilities are denominated in RMB and HK$, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies now comprising the Group.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

For companies with RMB as their functional currency, their businesses are principally conducted in RMB. The fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on these companies' results of operations.

For companies with HK$ as their functional currency, their businesses are principally conducted in HK$, except that limited revenues from the apparel supply chain servicing segment are denominated in other foreign currencies. Management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statements of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group closely monitors the movement of the share price that publicly traded.

Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises mainly from cash and bank balances and borrowings. Cash and bank balances and borrowings at fixed rates expose the Group to fair value interest rate risk. Cash and bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk.

Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Credit risk

Credit risk arises from cash and cash equivalents, restricted bank deposits and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with reputable financial institutions or financial institutions which are controlled by the government. For the apparel retail segment, sales to our franchisees or customers of self-operated retail outlets are usually settled by cash or credit cards, and cooperative partners are required to pay a certain percentage of deposits. For the apparel supply chain servicing segment, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength, credit history and after receiving an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of individual trade receivables to ensure that adequate impairment losses are made for non-recoverable amounts.

The Group has concentration of credit risk. Sales of goods to the top five customers constituted approximately 81.9%, 82.6%, 84.5% and 86.3% of the Group's revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The top five trade receivable balances accounted for approximately 88.3%, 83.8%, 88.8% and 73.0% of the gross trade receivable balances as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in the Accountant's Report in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or our terms that are not less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of the Shareholders as a whole.

For details of related party transactions, please refer to Note 30 of Section II to the Accountant's Report in Appendix I to this prospectus.