The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

18 October 2011

The Directors
Fornton Group Limited
Optima Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Fornton Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2010 and the four months ended 30 April 2011 (the "Track Record Period") for inclusion in the prospectus of the Company dated 18 October 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Bermuda on 13 April 2011 as an exempted company with limited liability under the Bermuda Companies Act. Pursuant to a group reorganisation as detailed in the section headed "History, Reorganisation and Group Structure" and in Appendix V "Statutory and General Information" to the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group on 11 October 2011.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Wide Reach Limited ("Wide Reach")	British Virgin Islands ("BVI") 29 September 2010	Ordinary shares United States dollar ("US$") 3,000	100%	—	Investment holding
Fornton Knitting Company Limited 豐臨針織有限公司 ("Fornton Knitting")	Hong Kong 1 February 1994	Ordinary shares HK$10,000,000	—	100%	Trading of knitwear
Nice Regent Industries Limited 毅俊實業有限公司 ("Nice Regent")	Hong Kong 21 February 1995	Ordinary shares HK$10,000	—	100%	Sub-contracting of knitted garments
Fornton Holdings Company Limited 豐臨控股有限公司 ("Fornton Holdings")	Hong Kong 16 December 1993	Ordinary shares HK$10,000	—	100%	Trading of knitwear and investment holding
Dongguan Fung Ching Knitting Company Limited ("Fung Ching")* (東莞豐正針織有限公司)#	The People's Republic of China ("PRC") 28 February 2006	Registered capital US$8,000,000	—	100%	Manufacturing and trading of knitwear

Wholly foreign-owned enterprise established in the PRC.

* *The English name is for identification purpose only.*

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as there is no such statutory requirement, and the Company has not carried out any business, other than those transactions relating to the Reorganisation.

No audited financial statements have been prepared for Wide Reach since its date of incorporation as there is no statutory requirement. For the purpose of this report, we have, however, reviewed the relevant transactions of these companies since their respective dates of incorporation to 30 April 2011 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.

The statutory financial statements of Fung Ching for the three years ended 31 December 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

The statutory financial statements of Fornton Knitting, Nice Regent and Fornton Holdings for the three years ended 31 December 2010 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory auditors of the above subsidiaries during the Track Record Period are as follows:

Name of subsidiary	Periods covered	Certified Public Accountants
Fornton Knitting	Year ended 31 December 2008	Yu How Yuen & Company
	Year ended 31 December 2009	Yu How Yuen & Company
	Year ended 31 December 2010	SHINEWING (HK) CPA Limited ("SHINEWING")
Nice Regent	Year ended 31 December 2008	Yu How Yuen & Company
	Year ended 31 December 2009	Yu How Yuen & Company
	Year ended 31 December 2010	SHINEWING
Fornton Holdings	Year ended 31 December 2008	SHINEWING
	Year ended 31 December 2009	SHINEWING
	Year ended 31 December 2010	SHINEWING
Fung Ching	Year ended 31 December 2008	Dongguan Shi Zhong Lian Accountants Company Limited* (東莞市中聯會計師事務所有限公司)
	Year ended 31 December 2009	Guangdong Zhong Cheng An Tai Accounts Company Limited* (廣東中誠安泰會計師事務所有限公司)
	Year ended 31 December 2010	Guangdong Zhong Cheng An Tai Accounts Company Limited* (廣東中誠安泰會計師事務所有限公司)

* *Certified Public Accountants registered in the PRC and the English name is for identification purpose only.*

BASIS FOR PREPARATION

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company and the consolidated financial statements of Wide Reach for the Track Record Period, which were prepared in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing for the Track Record Period.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in Note 1 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 April 2011.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in Note 1 of Section A below, the Financial Information gives a true and fair view of the Group's combined results and combined cash flows for the Track Record Period, and of the state of affairs of the Company as at 30 April 2011 and of the Group as at 31 December 2008, 2009 and 2010 and 30 April 2011.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the four months ended 30 April 2010, together with notes thereto (the "April 2010 Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the April 2010 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the April 2010 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the 30 April 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December			Four months ended 30 April	
		2008	2009	2010	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Turnover	*9*	316,575	304,499	356,122	57,366	49,180
Cost of sales		(233,957)	(235,932)	(273,113)	(47,025)	(38,172)
Gross profit		82,618	68,567	83,009	10,341	11,008
Other operating income	*9*	3,786	6,260	6,421	258	1,939
Selling and distribution expenses		(9,759)	(10,659)	(13,589)	(2,424)	(2,418)
Administrative expenses		(40,748)	(37,077)	(41,857)	(12,020)	(15,088)
Finance costs	*11*	(441)	(110)	(407)	(15)	(157)
Profit/(loss) before taxation		35,456	26,981	33,577	(3,860)	(4,716)
Income tax (expense)/credit	*12*	(8,472)	(4,774)	(5,610)	707	555
Profit/(loss) for the year/period	*13*	26,984	22,207	27,967	(3,153)	(4,161)
Exchange differences arising on translation of foreign operations and total other comprehensive income/(expenses)		153	20	(264)	39	373
Total comprehensive income/ (expenses) for the year/period, net of tax		27,137	22,227	27,703	(3,114)	(3,788)
Earnings/(losses) per share (HK cents)						
Basic and diluted	*14*	11.3	7.1	9.0	(1.0)	(1.3)

Combined Statements of Financial Position

		The Group				The Company
		At 31 December			At 30 April	At 30 April
		2008	2009	2010	2011	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Plant and equipment	*17*	7,831	5,650	15,319	19,815	—
Deposit paid for acquisition of land use rights	*18*	10,047	10,005	—	—	—
Prepaid lease payment	*19*	—	—	13,293	13,841	—
Deferred taxation	*30*	—	—	—	595	—
		17,878	15,655	28,612	34,251	—
Current assets						
Inventories	*20*	20,299	23,760	23,115	42,137	—
Prepaid lease payment	*19*	—	—	302	315	—
Trade and other receivables	*21*	52,981	57,308	49,229	36,073	—
Amounts due from related companies	*22*	4,704	13,867	—	—	—
Amount due from a director	*23*	3,757	1,887	—	—	—
Derivative financial instruments	*24*	—	—	—	812	—
Pledged bank deposits	*25*	4,485	1,622	—	3,000	—
Bank balances and cash	*25*	43,550	52,997	51,562	43,226	—
		129,776	151,441	124,208	125,563	—
Current liabilities						
Trade and other payables	*26*	41,545	41,781	40,050	34,347	—
Dividends payables		—	—	4,830	4,830	—
Amounts due to directors	*27*	12,725	12,440	—	3,569	—
Bank borrowings	*28*	1,023	498	9,555	21,788	—
Obligations under finance leases — due within one year	*29*	300	210	210	210	—
Income tax payables		2,630	722	1,411	1,523	—
		58,223	55,651	56,056	66,267	—
Net current assets		71,553	95,790	68,152	59,296	—
Total assets less current liabilities		89,431	111,445	96,764	93,547	—
Non-current liabilities						
Bank borrowings	*28*	—	—	32,466	33,232	—
Obligations under finance leases — due after one year	*29*	803	578	368	298	—
Deferred taxation	*30*	79	91	151	26	—
		882	669	32,985	33,556	—
		88,549	110,776	63,779	59,991	—
Capital and reserves						
Share capital	*31*	2,000	2,000	2,023	2,023	—
Reserves	*32*	86,549	108,776	61,756	57,968	—
		88,549	110,776	63,779	59,991	—

Combined Statements of Changes in Equity

	Share capital	Merger reserve	Exchange translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	—	—	340	59,072	59,412
Capital injection	2,000	—	—	—	2,000
Total comprehensive income for the year	—	—	153	26,984	27,137
At 31 December 2008	2,000	—	493	86,056	88,549
Total comprehensive income for the year	—	—	20	22,207	22,227
At 31 December 2009	2,000	—	513	108,263	110,776
Total comprehensive/(expenses) income for the year	—	—	(264)	27,967	27,703
Dividends *(Note 16)*	—	—	—	(74,700)	(74,700)
Arising from Reorganisation *(Note 32)*	23	8,020	—	(8,043)	—
At 31 December 2010	2,023	8,020	249	53,487	63,779
Total comprehensive income/(expenses) for the period	—	—	373	(4,161)	(3,788)
At 30 April 2011	2,023	8,020	622	49,326	59,991

	Share capital	Merger reserve	Exchange translation reserve	Retained earnings	Total
(Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	2,000	—	513	108,263	110,776
Total comprehensive income/(expenses) for the period	—	—	39	(3,153)	(3,114)
Dividends	—	—	—	(1,700)	(1,700)
At 30 April 2010	2,000	—	552	103,410	105,962

Combined Statements of Cash Flow

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
OPERATING ACTIVITIES					
Profit/(loss) before taxation	35,456	26,981	33,577	(3,860)	(4,716)
Adjustments for:					
Change in fair value of derivative financial instruments	—	—	—	—	(812)
Depreciation of plant and equipment	3,122	3,001	2,897	795	1,466
Amortisation of prepaid lease payment	—	—	—	—	107
Finance costs	441	110	407	15	157
Gain on disposal of plant and equipment	—	—	(190)	—	(290)
Interest income	(426)	(151)	(417)	(32)	(61)
Loss on written off of plant and equipment	—	59	51	—	25
Operating cashflows before movements in working capital	38,593	30,000	36,325	(3,082)	(4,124)
(Increase)/decrease in inventories	(2,003)	(3,461)	645	(15,431)	(19,022)
(Increase)/decrease in trade and other receivables	(6,554)	(4,327)	11,478	17,090	13,156
Increase/(decrease) in trade and other payables	651	351	(2,679)	281	(6,229)
Cash generated from/(used in) operations	30,687	22,563	45,769	(1,142)	(16,219)
Income tax paid	(6,631)	(6,670)	(4,861)	(480)	(53)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	24,056	15,893	40,908	(1,622)	(16,272)
INVESTING ACTIVITIES					
(Advance to)/repayment from directors	(2,156)	1,870	1,494	564	—
Acquisition of plant and equipment	(1,719)	(904)	(12,537)	—	(5,750)
(Increase)/decrease in pledged bank deposit	(1,560)	2,863	1,622	1,622	(3,000)
Interest received	426	151	417	32	61
Repayment from/(advances to) related companies	360	(9,163)	(33,910)	(37,629)	—
Acquisition of prepaid lease payment	—	—	(3,590)	—	(325)
Repayment to an other receivable	—	—	(3,399)	—	—
Proceeds from disposal of plant and equipment	—	—	236	—	295
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(4,649)	(5,183)	(49,667)	(35,411)	(8,719)

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
FINANCING ACTIVITIES					
Dividends paid	(10,000)	—	(21,700)	(1,700)	—
Net (decrease)/increase of trust receipt loans	(2,121)	(525)	5,737	4,215	14,105
Interest paid	(441)	(110)	(407)	(15)	(157)
(Repayments to)/advances from directors	(340)	(285)	(12,440)	(1,709)	3,569
Repayment of obligations under finance leases	(142)	(315)	(210)	(70)	(70)
Proceeds from issue of shares	2,000	—	—	—	—
New bank borrowings raised	—	—	37,800	31,800	—
Repayments of bank borrowings	—	—	(2,014)	—	(1,106)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(11,044)	(1,235)	6,766	32,521	16,341
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,363	9,475	(1,993)	(4,512)	(8,650)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	34,851	43,550	52,997	52,997	51,562
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	336	(28)	558	39	314
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	43,550	52,997	51,562	48,524	43,226

Notes to the Financial Information

For the three years ended 31 December 2010 and four months ended 30 April 2010 and 2011

1. BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in Bermuda on 13 April 2011 as an exempted company with limited liability under the Bermuda Companies Act.

The address of the registered office is Codan Service Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Company is Unit A, 32/F, Legend Tower, No. 7, Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company and its subsidiaries have been under the common control and management by Ms. Wong Kan Kan, Kandy (王勤勤) ("Ms. Wong"), Mr. Yam Tak Cheung (任德章) ("Mr. Yam") and Mr. Wong Tat Wai, Derek (王達偉) ("Mr. Wong") (together known as the "Controlling Shareholders") throughout the Track Record Period or since their respective date of incorporation up to 30 April 2011. Pursuant to the Reorganisation, the Company acquired the entire interests of Wide Reach and its subsidiaries by way of swap of shares and became the holding company of the companies now comprising the Group on 11 October 2011. During the Track Record Period, one of the subsidiaries, Nice Regent, was owned beneficially as to 70% by Mr. Wong and 30% by Mr. Yam and the board of directors of Nice Regent consisted of the Controlling Shareholders. While Mr. Wong is Ms. Wong's siblings and Mr. Yam is Ms. Wong's spouse and in accordance with agreement between them, they acted in concert to control the financial and operating activities and share the risks and benefits equally of each of the subsidiaries of the Group during the Track Record Period.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group throughout the Track Record Period, using the principle of merger accounting as set out in the Accounting Guidelines 5 "Merger accounting for common control combinations" issued by the HKICPA.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 30 April 2011. The combined statements of financial position of the Group as at 31 December 2008, 2009, 2010 and 30 April 2011 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

The functional currency of the Company, the subsidiaries incorporated in Hong Kong and the subsidiary established in the PRC is US$. The Financial Information is presented in HK$ as the operation of the Group are mainly based in Hong Kong.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the relevant Hong Kong Accounting Standards ("HKAS"s), HKFRSs, amendments and the related interpretations ("INT"s) issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2011 throughout the Track Record Period.

The Group has not early applied the following new and revised standards and amendments that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1(Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the reclassification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's Financial Information for the annual periods beginning on or after 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's Financial Information for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with condensed consolidated interim financial information. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investee, and consolidating investees that were not previously consolidated.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below which conform with HKFRSs issued by the HKICPA.

In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

(a) Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Merger accounting for business involving entities under common control

The Financial Information incorporates the financial information items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

(c) Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, if any, using the straight-line method. The estimate useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

(d) Prepaid lease payment

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to combined statement of comprehensive income over the period of the rights using the straight-line method.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on the initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and a director, pledged bank deposits and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0 - 45 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable and amounts due from related companies are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after all of its liabilities.

The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, dividend payables, amounts due to directors and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequent remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(g) Cash and cash equivalents

Bank balances and cash in the combined statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the combined statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

(h) Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

(i) Revenue recognition

(i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, sales returns and sales related taxes.

Sale of goods

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

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the combined statements of financial position under current liabilities.

(ii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the that asset's net carrying amount on initial recognition.

(j) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(l) Retirement benefit costs

Payments to state-managed retirement benefit schemes and defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contribution.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss.

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items at fair value are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve).

Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values, if any. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment loss recognised in respect of plant and equipment and prepaid lease payments

The impairment loss for plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue with a stable growth rate and a suitable discount rate. No impairment was provided during the Track Record Period.

Estimated impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. The carrying amounts of trade receivables were approximately HK$31,455,000, HK$38,501,000, HK$29,709,000 and HK$18,930,000 at 31 December 2008, 31 December 2009 and 31 December 2010 and 30 April 2011, respectively. No impairment loss was recognised during the Track Record Period.

Estimated allowance for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items. The carrying amounts of inventories were approximately HK$20,299,000, HK$23,760,000, HK$23,115,000 and HK$42,137,000 at 31 December 2008, 31 December 2009, 31 December 2010 and 30 April 2011, respectively. No impairment loss was recognised during the Track Record Period.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts which includes the bank borrowings, obligations under finance leases, pledged bank deposits and bank balances and cash disclosed in Notes 28, 29 and 25, respectively, and equity attributable to the owners of the parent, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, the payment of dividends and new share issues.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	101,829	122,646	88,824	72,830
Derivative financial instruments	—	—	—	812
Financial liabilities				
Financial liabilities at amortised cost	51,451	49,575	80,192	91,364

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amounts due from related companies and a director, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, dividend payables, amounts due to directors, bank borrowings and obligations under financial leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

Market risk

Currency risk

The Group has foreign currency purchases, which expose the Group to foreign currency risk. During the year ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, 0.2%, 1.2%, 2.4% and 1.7% of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the purchases, respectively.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting date are as follows:

	Assets				Liabilities			
	At 31 December			At 30 April	At 31 December			At 30 April
	2008	2009	2010	2011	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB")	7,579	5,131	765	1,239	14,904	17,607	13,129	8,882

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where US$ strengthen 5% against the relevant currency. For a 5% weakening of US$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative. The analysis is performed on the same basis for the Track Record Period.

	RMB			
	Year ended 31 December			Four months ended 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year/period	306	521	516	319

This is mainly attributable to the exposure on outstanding trade and other payables denominated in RMB at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the market risk as each of the year end exposure does not reflect the exposure during the Track Record Period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see Note 29 for details) for the Track Record Period. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 28 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank balances and pledged bank deposits are short-term in nature and the exposure of the interest rate risk is minimal.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's profit for the each of the three year ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011 would decrease/increase by approximately HK$4,000, HK$2,000, HK$175,000 and HK$230,000, respectively. This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as each of the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk for its five largest trade customers as 54%, 58%, 64% and 71% of the total trade receivables at 31 December 2008, 2009, 2010 and 30 April 2011 respectively was due from the Group's largest customer and 91%, 90%, 87% and 88% of the total trade receivables at 31 December 2008, 2009, 2010 and 30 April 2011 respectively was due from the five largest trade customers.

The Group's concentration of credit risk by geographical locations is mainly in the United States of America (the "USA"), which accounted for 77%, 77%, 69% and 70% of the total trade receivables at 31 December 2008, 2009, 2010 and 30 April 2011, respectively.

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	At 31 December 2008				
	Within one year or on demand	More than one year less than two years	More than two years less than five years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade and other payables	36,600	—	—	36,600	36,600
Amounts due to directors	12,725	—	—	12,725	12,725
Bank borrowings	1,028	—	—	1,028	1,023
Obligations under finance leases	339	257	661	1,257	1,103
	50,692	257	661	51,610	51,451

	At 31 December 2009				
	Within one year or on demand	More than one year less than two years	More than two years less than five years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade and other payables	35,849	—	—	35,849	35,849
Amounts due to directors	12,440	—	—	12,440	12,440
Bank borrowings	500	—	—	500	498
Obligations under finance leases	240	240	422	902	788
	49,029	240	422	49,691	49,575

	At 31 December 2010					
	Within one year or on demand	More than one year less than two years	More than two years less than five years	More than five years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	32,763	—	—	—	32,763	32,763
Dividends payables	4,830	—	—	—	4,830	4,830
Bank borrowings	9,954	3,660	10,143	20,765	44,522	42,021
Obligations under finance leases	240	240	180	—	660	578
	47,787	3,900	10,323	20,765	82,775	80,192

	At 30 April 2011					
	Within one year or on demand	More than one year less than two years	More than two years less than five years	More than five years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	27,437	—	—	—	27,437	27,437
Amounts due to directors	3,569	—	—	—	3,569	3,569
Dividends payables	4,830	—	—	—	4,830	4,830
Bank borrowings	22,176	4,120	11,098	19,938	57,332	55,020
Obligations under finance leases	240	240	100	—	580	508
	58,252	4,360	11,198	19,938	93,748	91,364

8. FAIR VALUE

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values due to their short-term maturities.

The directors of the Company also consider that the fair value of the long-term portion of liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest rate method.

The fair value of derivative financial instruments is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the combined statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 30 April 2011 Level 2
	HK$'000
Asset	
Derivative financial instruments	812

9. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the net amounts received and receivable for goods sold and service provided in the normal course of business, net of discounts, sales returns and sales related taxes.

Analysis of the Group's turnover for the Track Record Period and the four months ended 30 April 2010 is as follows:

	Year ended 31 December			Four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Turnover					
Sales of knitted products	316,575	304,499	356,122	57,366	49,180
Other operating income					
Change in fair value of derivative financial instruments	—	—	—	—	812
Compensation income *(note)*	—	2,330	—	—	—
Bank interest income	426	151	228	32	61
Net exchange gain	—	—	106	—	92
Interest from a related company	—	—	189	—	—
Gain on disposal of plant and equipment	—	—	190	—	290
Sales of scrapped materials	3,258	3,314	5,527	105	173
Sundry income	102	465	181	121	511
	3,786	6,260	6,421	258	1,939

Note: The amount represents the compensation from a customer for not meeting certain sales target.

10. SEGMENT INFORMATION

The Group is engaged in a single segment, the production and trading of knitwear. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's customers are mainly located in the USA.

An analysis of the Group's revenue from external customers by geographical location is detailed below:

	Revenue from external customers				
	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
USA	236,119	228,948	270,664	50,897	37,178
Europe	50,586	46,402	52,022	1,923	6,385
Canada	16,496	17,703	22,065	3,311	3,064
Others	13,374	11,446	11,371	1,235	2,553
	316,575	304,499	356,122	57,366	49,180

Less than 1% of the Group's revenue from external customers is derived from Hong Kong (country of domicile of principal subsidiary, Fornton Knitting) during the Track Record Period and the four months ended 30 April 2010.

The Group's information about its non-current assets by geographical location of the assets is detailed below:

	Non-current assets			
	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,366	2,108	3,942	3,886
The PRC	15,512	13,547	24,670	29,770
	17,878	15,655	28,612	33,656

Non-current assets are allocated to geographical segments other than deferred taxation.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the Track Record Period and the four months ended 30 April 2010 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Customer A	166,567	168,648	200,496	38,302	34,427
Customer B	45,552	42,180	61,945	11,222	N/A*
Customer C	39,489	33,279	N/A*	N/A*	N/A*

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

11. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest expenses on:					
— bank borrowings wholly repayable:					
— within five years	—	—	42	—	21
— after five years	—	—	203	—	102
— trust receipt loans	424	70	130	5	24
— obligations under finance leases	17	40	32	10	10
	441	110	407	15	157

12. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Hong Kong Profits Tax					
— current year	8,138	4,593	5,179	287	112
PRC Enterprise Income Tax					
— current year	228	169	371	51	53
Deferred taxation *(Note 30)*	106	12	60	(1,045)	(720)
	8,472	4,774	5,610	(707)	(555)

(i) On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced the corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the Track Record Period and the four months ended 30 April 2010.

(ii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Fung Ching is 25% for the Track Record Period.

Fung Ching is a wholly-owned foreign investment enterprise and is entitled to tax concessions whereby the profit for the first two financial years beginning on 1 January 2008 is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the PRC government (the "Tax Exemption").

Fung Ching is exempted from PRC Enterprise Income Tax from 1 January 2008 to 31 December 2009 and the applicable rate from 1 January 2010 to 31 December 2012 is 12.5%.

The income tax expense/(credit) for the year/period can be reconciled to the profit/(loss) before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit/(loss) before taxation	35,456	26,981	33,577	(3,860)	(4,716)
Tax at domestic income tax rate of 16.5%	5,850	4,452	5,540	(637)	(778)
Tax effect of expense not deductible for tax purposes	2,988	904	160	14	119
Tax effect of income not taxable for tax purposes	(50)	(13)	(25)	—	(139)
Tax effect of tax losses not recognised	205	—	—	—	332
Utilisation of tax losses previously not recognised	—	(205)	—	—	—
Effect of tax exemptions granted to PRC subsidiary	—	(726)	(173)	—	—
Effect of different tax rate of a subsidiary operating in other jurisdictions	(521)	362	108	(84)	(89)
Income tax expense/(credit) for the year	8,472	4,774	5,610	(707)	(555)

Details of the deferred taxation are set out in Note 30.

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

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit/(loss) for the year/period has been arrived at after charging:					
Directors' emoluments *(Note 15)*	3,962	2,810	2,870	865	881
Salaries and allowances (excluding directors' emoluments)	27,015	21,986	21,031	6,623	7,188
Retirement benefit scheme contributions (excluding directors)	461	423	431	131	190
Total staff costs	31,438	25,219	24,332	7,619	8,259
Amortisation of prepaid lease payment	—	—	—	—	107
Auditor's remuneration	185	205	207	46	31
Cost of inventories recognised	233,957	235,932	273,113	47,025	38,172
Depreciation of plant and equipment	3,122	3,001	2,897	795	1,466
Net exchange loss	190	48	—	63	—
Loss on written off of plant and equipment	—	59	51	—	25
Operating lease rental paid in respect of rented — office premises	2,782	3,115	3,381	911	1,081
Processing Fees *(Note)*	27,728	27,026	31,176	7,810	9,857
Sub-contracting fee (included in cost of sales)	72,849	86,422	105,965	18,055	15,858

Note: The Processing Fees include the following components in accordance with the processing agreement:

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries and allowances	6,537	7,147	9,456	2,663	3,719
Factory's lease	1,688	1,619	1,640	540	566
Labour cost — direct and indirect	16,396	15,722	17,312	3,867	4,793
Utilities	3,107	2,538	2,768	740	779
	21,191	19,879	21,720	5,147	6,138
	27,728	27,026	31,176	7,810	9,857

14. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share for the Track Record Period and the four months ended 30 April 2010 is based on the profit/(loss) during the Track Record Period and the four months ended 30 April 2010 and the weighted average number of ordinary shares in issue during the Track Record Period on the assumption that 312,000,000 shares of HK$0.01 each, representing the number of shares of the Company immediately after the Reorganisation and the capitalisation issue as detailed in the Prospectus but excluding any shares to be issued pursuant to the public offering had been effective on 1 January 2008.

	Year ended 31 December			Four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Earnings/(losses)					
Earnings/(losses) for the purpose of basic earnings/(losses) per share	26,984	22,207	27,967	(3,153)	(4,161)

	Year ended 31 December			Four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	'000	*'000*	*'000*	*'000*	*'000*
				(Unaudited)	
Number of shares					
Weighted average number ordinary shares for the purpose of basic earnings/(losses) per share	237,837	312,000	312,000	312,000	312,000

The diluted earnings/(losses) per share is equal to the basic earnings/(losses) per share as there were no dilutive potential ordinary shares during the Track Record Period and the four months ended 30 April 2010.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company for the Track Record Period and the four months ended 30 April 2010 are as follows:

	Year ended 31 December 2008				
	Fees	Salaries and other allowances	Performance related incentive payments *(Note)*	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong	—	1,296	807	12	2,115
Mr. Yam	—	474	207	12	693
Mr. Wong	—	936	194	24	1,154
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	—	—	—	—	—
Mr. Cheng Dickson	—	—	—	—	—
Mr. Sin Ka Man	—	—	—	—	—
	—	2,706	1,208	48	3,962

	Year ended 31 December 2009				
	Fees	Salaries and other allowances	Performance related incentive payments *(Note)*	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong	—	1,318	—	12	1,330
Mr. Yam	—	488	—	12	500
Mr. Wong	—	956	—	24	980
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	—	—	—	—	—
Mr. Cheng Dickson	—	—	—	—	—
Mr. Sin Ka Man	—	—	—	—	—
	—	2,762	—	48	2,810

	Year ended 31 December 2010				
	Fees	Salaries and other allowances	Performance related incentive payments *(Note)*	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong	—	1,351	—	12	1,363
Mr. Yam	—	501	—	12	513
Mr. Wong	—	970	—	24	994
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	—	—	—	—	—
Mr. Cheng Dickson	—	—	—	—	—
Mr. Sin Ka Man	—	—	—	—	—
	—	2,822	—	48	2,870

	Four months ended 30 April 2010 *(Unaudited)*				
	Fees	Salaries and other allowances	Performance related incentive payments *(Note)*	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong	—	407	—	4	411
Mr. Yam	—	149	—	4	153
Mr. Wong	—	293	—	8	301
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	—	—	—	—	—
Mr. Cheng Dickson	—	—	—	—	—
Mr. Sin Ka Man	—	—	—	—	—
	—	849	—	16	865

	Four months ended 30 April 2011				
	Fees	Salaries and other allowances	Performance related incentive payments *(Note)*	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Ms. Wong	—	416	—	4	420
Mr. Yam	—	152	—	4	156
Mr. Wong	—	297	—	8	305
Independent non-executive directors:					
Mr. Wang Wei Hung, Andrew	—	—	—	—	—
Mr. Cheng Dickson	—	—	—	—	—
Mr. Sin Ka Man	—	—	—	—	—
	—	865	—	16	881

None of the directors waived or agreed to waive any emoluments during the Track Record Period and the four months ended 30 April 2010.

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during the Track Record Period and the four months ended 30 April 2010.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were directors of the Company for each of the three years ended 31 December 2010 and the four months ended 30 April 2010 and 2011. The emoluments of these directors are included in the disclosures in Note 15(a) above. The emoluments of the remaining three individuals were as follows:

	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries and other allowances	2,790	2,835	2,891	688	990
Performance related incentive payments	1,056	234	120	—	—
Retirement benefit scheme contributions	24	24	24	8	12
	3,870	3,093	3,035	696	1,002

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during the Track Record Period and the four months ended 30 April 2010.

Their emoluments were within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2008	2009	2010	2010	2011
				(Unaudited)	
Not more than HK$1,000,000	—	2	2	3	3
HK$1,000,000 to HK$1,500,000	3	1	1	—	—
	3	3	3	3	3

During the Track Record Period and the four months ended 30 April 2010, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

16. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

During the year ended 31 December 2010, a special dividend of approximately HK$53,000,000 in respect of year ended 31 December 2010 was declared by Fornton Knitting to the then shareholders.

During the year ended 31 December 2010, an interim dividend of approximately HK$20,000,000 in respect of year ended 31 December 2010 was declared by Fornton Knitting to the then shareholders.

During the year ended 31 December 2010, a final dividend of approximately HK$1,700,000 in respect of the year ended 31 December 2009 was declared by Fornton Knitting to the then shareholders.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

The dividend payable of approximately HK$4,830,000 as at 31 December 2010 and 30 April 2011 was settled by cash by Fornton Knitting to the then shareholders in July 2011.

17. PLANT AND EQUIPMENT

	Plant and machinery	Office equipment	Furniture and fixtures	Leasehold improvement	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2008	10,145	10,462	1,840	917	2,660	26,024
Additions	423	931	64	183	1,168	2,769
Exchange realignment	359	410	79	—	105	953
At 31 December 2008	10,927	11,803	1,983	1,100	3,933	29,746
Additions	4	382	20	37	461	904
Written-off	—	(310)	(276)	—	(474)	(1,060)
Exchange realignment	(32)	(37)	(7)	(1)	(9)	(86)
At 31 December 2009	10,899	11,838	1,720	1,136	3,911	29,504
Additions	9,317	443	202	2,575	—	12,537
Disposals	(297)	(338)	—	—	—	(635)
Written-off	(426)	(269)	—	(941)	—	(1,636)
Exchange realignment	246	339	57	11	64	717
At 31 December 2010	19,739	12,013	1,979	2,781	3,975	40,487
Additions	4,697	529	114	410	—	5,750
Disposals	(747)	—	—	—	(551)	(1,298)
Written-off	—	(48)	(2)	—	—	(50)
Exchange realignment	307	13	43	—	4	367
At 30 April 2011	23,996	12,507	2,134	3,191	3,428	45,256
ACCUMULATED DEPRECIATION						
At 1 January 2008	6,832	8,547	840	917	1,049	18,185
Provided for the year	1,371	791	337	31	592	3,122
Exchange realignment	189	360	28	—	31	608
At 31 December 2008	8,392	9,698	1,205	948	1,672	21,915
Provided for the year	1,175	801	335	41	649	3,001
Eliminated on written-off	—	(310)	(276)	—	(415)	(1,001)
Exchange realignment	(21)	(32)	(4)	—	(4)	(61)
At 31 December 2009	9,546	10,157	1,260	989	1,902	23,854
Provided for the year	1,236	499	349	150	663	2,897
Eliminated on disposals	(252)	(337)	—	—	—	(589)
Eliminated on written-off	(425)	(230)	—	(930)	—	(1,585)
Exchange realignment	218	283	42	2	46	591
At 31 December 2010	10,323	10,372	1,651	211	2,611	25,168
Provided for the period	744	241	88	177	216	1,466
Eliminated on disposals	(747)	—	—	—	(546)	(1,293)
Eliminated on written-off	—	(24)	(1)	—	—	(25)
Exchange realignment	76	6	39	—	4	125
At 30 April 2011	10,396	10,595	1,777	388	2,285	25,441
CARRYING VALUES						
At 31 December 2008	2,535	2,105	778	152	2,261	7,831
At 31 December 2009	1,353	1,681	460	147	2,009	5,650
At 31 December 2010	9,416	1,641	328	2,570	1,364	15,319
At 30 April 2011	13,600	1,912	357	2,803	1,143	19,815

(i) The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	10% to 20%
Leasehold improvement	Over the shorter of term of the lease or 5 years
Motor vehicles	20%

(ii) The carrying values of motor vehicles as at 31 December 2008, 2009 and 2010 and 30 April 2011 included an amount of approximately HK$1,185,000, HK$857,000, HK$623,000 and HK$545,000 in respect of assets under finance leases.

18. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

The balance represents RMB8,835,000 at 31 December 2008 and 31 December 2009 (equivalent to approximately HK$10,047,000 and HK$10,005,000 at 31 December 2008 and 31 December 2009, respectively) paid to an independent third party as a deposit for the acquisition of land use rights in the PRC. The deposit has been transferred to prepaid lease payment during the year ended 31 December 2010. The land use rights are being used for plant expansion.

19. PREPAID LEASE PAYMENT

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid lease payment comprises of leasehold land held in the PRC under medium-term lease and are analysed for reporting purposes as follows:				
Current assets	—	—	302	315
Non-current assets	—	—	13,293	13,841
	—	—	13,595	14,156

20. INVENTORIES

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	972	5,982	10,572	15,634
Work-in-progress	15,123	11,630	8,211	21,645
Finished goods	4,204	6,148	4,332	4,858
	20,299	23,760	23,115	42,137

21. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	31,455	38,501	29,709	18,930
Other receivables	13,878	13,772	7,553	7,674
Prepayment	7,648	5,035	11,967	9,469
	52,981	57,308	49,229	36,073

(i) The Group generally allows an average credit period of 0–45 days to its trade customers.

(ii) An aged analysis of trade receivables, net of impairment loss recognised is as follows:

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 45 days	30,282	36,355	28,096	16,841
46 to 90 days	746	1,893	1,552	2,037
91 to 365 days	427	11	61	52
Over 365 days	—	242	—	—
	31,455	38,501	29,709	18,930

(iii) At 31 December 2008, 31 December 2009, 31 December 2010 and 30 April 2011, the analysis of trade receivables that were neither past due nor impaired and past due but not impaired are as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	Less than 45 days	46 to 90 days	91 to 365 days	Over 365 days
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008	31,455	28,530	2,498	226	201	—
At 31 December 2009	38,501	35,071	3,177	—	11	242
At 31 December 2010	29,709	27,842	1,780	87	—	—
At 30 April 2011	18,930	16,676	1,970	272	12	—

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired for the Track Record Period, the directors of the Company consider that no allowance is required.

(iv) Included in other receivables in the combined statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	7,579	5,131	765	1,239

22. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

					Maximum amount outstanding during the year/period			
	At 31 December			At 30 April	During the year ended 31 December			During the four months ended 30 April
	2008	2009	2010	2011	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Long Rise Investment Development Limited ("Long Rise")	—	9,128	—	—	—	9,128	47,314	—
Global Party Limited	4,314	4,314	—	—	4,714	4,314	4,314	—
All Rising Limited	176	194	—	—	176	194	218	—
R&D Mode Limited	182	182	—	—	182	182	182	—
Junall Limited ("Junall")	32	49	—	—	34	49	64	—
	4,704	13,867	—	—				

Ms. Wong, Mr. Wong and Mr. Yam have direct or indirect interests in all of the above companies. The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts due from related companies mainly represented fund advance to related companies for daily operation except that the amount due from Long Rise represented fund advance to Long Rise for acquisition of a property. The advance to Long Rise during the year ended 31 December 2010 carries interest at floating-rate ranging from 1 month HIBOR plus 0.8% to 0.9% per annum.

The amounts have been fully settled during the year ended 31 December 2010.

23. AMOUNT DUE FROM A DIRECTOR

Director's current accounts disclosed pursuant to section 161B of the Companies Ordinance is as follows:

					Maximum amount outstanding during the year/period			
	At 31 December			At 30 April	Year ended 31 December			Four months ended 30 April
Director	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Yam	—	—	—	—	—	—	—	22,700
Mr. Wong	3,757	1,887	—	—	4,672	1,887	12,657	545

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts mainly represented funds advanced to a director for business operation of the Group.

The amounts have been fully settled during the year ended 31 December 2010.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial assets not under hedge accounting consists of the fair value of foreign currency forward contracts and are analysed for reporting purpose as follows:				
Current	—	—	—	812

The derivatives are measured with reference to exchange rates from financial instruments for equivalent instruments.

The Group entered into two non-deliverable structured forward contracts (the "Forward Contracts") denominated in USD and RMB during the four months period ended 30 April 2011 with a bank. Each of the Forward Contracts comprises 24 forward exchange transactions at relevant determination dates (on each month end between August 2011 and July 2013).

Pursuant to the terms of each of the Forward Contracts, on each of the 24 determination dates, the Group will have to sell US$1,000,000 against RMB at the respective predetermined exchange rate as disclosed below. If the spot exchange rate of USD against RMB (the "Spot Rate") is below the predetermined exchange rate (the "Condition"), the Group will receive a fixed amount of RMB30,000 from the bank. Each of the Forward Contracts will be terminated on the date which is the eleventh time the Condition is satisfied. There will be no early termination if the Condition is satisfied less than eleven times.

If the Spot Rate is higher than the predetermined exchange rate, the exposure of the Group is to pay the bank US$1,000,000 times the difference between the Spot Rate and the predetermined exchange rate for each of the Forward Contracts. There is no cap on the exposure.

Notional amount	Maturity	Predetermined exchange rates
USD2,000,000	2 September 2011 to 2 August 2012	USD1: RMB6.59
USD2,000,000	4 September 2012 to 2 August 2013	USD1: RMB6.45

The gain arising from change in fair value of the foreign currency contract for the four months ended 30 April 2011 was approximately HK$812,000. No gain or loss arising from change in fair value of the foreign currency contract for each of the three years ended 31 December 2010 and the four months ended 30 April 2010.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and the four months ended 30 April 2011 carried interest at the prevailing market rate ranging from 0.01% to 0.72%, 0.01% to 0.72%, 0.01% to 0.36% and 0.01% to 0.5%, respectively. The pledged deposits carried fixed interest rate of 0.30% per annum during the each of the three years ended 31 December 2010 and 0.17% per annum during the four months ended 30 April 2011.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$4,485,000, HK$1,622,000 and HK$3,000,000 at 31 December 2008, 31 December 2009 and 30 April 2011, respectively have been pledged to secure trust receipt loans and are therefore classified as current assets.

The Group's bank balances and cash denominated in RMB amounted to approximately HK$673,000, HK$12,069,000, HK$12,506,000 and HK$7,961,000 at 31 December 2008, 31 December 2009, 31 December 2010 and 30 April 2011, respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	23,289	22,690	19,796	14,753
Receipt in advance	328	177	398	281
Other payables	13,311	13,159	12,967	12,684
Value added tax payables	4,617	5,755	6,889	6,629
	41,545	41,781	40,050	34,347

(i) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	22,163	21,353	18,318	13,807
91 to 365 days	1,093	481	614	84
Over 365 days	33	856	864	862
	23,289	22,690	19,796	14,753

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

(ii) Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective service contracts.

(iii) Included in trade and other payables in the combined statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	14,904	17,607	13,129	8,882

27. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand.

28. BANK BORROWINGS

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured:				
Trust receipts loans *(Note i)*	1,023	498	6,235	18,000
Unsecured:				
Mortgage loan *(Note ii)*	—	—	30,386	29,680
Other bank loan *(Note iii)*	—	—	5,400	7,340
	1,023	498	42,021	55,020
Bank borrowings repayable:				
On demand or within one year	1,023	498	9,555	21,788
More than one year but not exceeding two years	—	—	3,320	3,788
More than two years but not exceeding five years	—	—	9,360	10,364
More than five years	—	—	19,786	19,080
	1,023	498	42,021	55,020
Less: Amounts due within one year shown under current liabilities	(1,023)	(498)	(9,555)	(21,788)
	—	—	32,466	33,232

Notes:

(i) During the Track Record Period, trust receipts loans of the Group bear interest at floating rates of interest and due within 3 months. The floating rate borrowings carrying interest at 1 month HIBOR plus 1.125% per annum, ranging from HIBOR plus 1.125% to 1.625% per annum, ranging from 1 month HIBOR plus 1.1% to 1.625% per annum and ranging from 1 month HIBOR plus 1.1% to 1.625% during the year ended 31 December 2008, 31 December 2009, 31 December 2010 and four months ended 30 April 2011, respectively.

(ii) During the year ended 31 December 2010, the mortgage loan with principal amount of HK$31,800,000 carries floating-rate ranging from 1 month HIBOR plus 0.8% to 0.9% per annum, repayable in 180 instalments commencing on 31 May 2010. The mortgage loan will be fully repaid by 30 April 2025.

(iii) During the year ended 31 December 2010, the other bank loan with principal amount of HK$6,000,000 was raised under the Special Loan Guarantee Scheme ("Special loan"), which carries floating-rate at 1 month HIBOR plus 1.25% per annum, repayable in 60 instalments commencing on 31 July 2010. The Special loan will be fully repaid by 31 August 2015. 80% of the principal amount of the special bank loan is guaranteed by the Government of Hong Kong Special Administrative Regions.

During four months ended 30 April 2011, machinery loan with principal amount of HK$2,340,000 was raised, which carries floating-rate at 1 month HIBOR plus 1.1% per annum, repayable in 60 installments commencing on 4 May 2011.

At 31 December 2008, 2009 and 2010 and at 30 April 2011, the Group has unused banking facilities of HK$64,827,000, HK$65,502,000, HK$87,266,000 and HK$62,886,000 respectively.

The Group's bank borrowings at the end of each reporting period were secured by the following:

(a) At the end of each reporting period, trust receipts loans were guaranteed by Ms. Wong, Mr. Yam and Mr. Wong. At 31 December 2010 and 30 April 2011, the Group provides a negative pledge to a bank on certain plant and machinery with carrying amount of approximately HK$8,839,000 and HK$11,494,000, respectively;

(b) At 31 December 2010 and at 30 April 2011, the mortgage loan was guaranteed by Ms. Wong, Mr. Yam, Mr. Wong and secured by a legal charge over a property owned by Long Rise;

(c) At 31 December 2010 and at 30 April 2011, the other bank loan was guaranteed by Ms. Wong and Mr. Yam; and

(d) At the end of each reporting date, certain banking facilities of the Group was secured by a property held by Mr. Wong.

29. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years throughout the Track Record Period.

At the end of each reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December			At 30 April	At 31 December			At 30 April
	2008	2009	2010	2011	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
Within one year	339	240	240	240	300	210	210	210
More than one year, but not more than two years	257	240	240	240	225	210	210	210
More than two year, but not more than five years	661	422	180	100	578	368	158	88
	1,257	902	660	580	1,103	788	578	508
Less: Future finance charges	(154)	(114)	(82)	(72)	—	—	—	—
Present value of lease obligations	1,103	788	578	508	1,103	788	578	508
Less: Amounts due within one year shown under current liabilities					(300)	(210)	(210)	(210)
Amounts due after one year					803	578	368	298

All obligations under finance leases of the Group bear interest at fixed interest rates. The underlying interest rates of these obligations under finance leases are ranging from 2% to 2.9%, ranging from 2% to 2.9%, 2.9% and 2.9% per annum during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the four months ended 30 April 2011, respectively. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets. These leases had no terms of renewal or purchase options and escalation clauses.

All obligations under finance leases are denominated in HK$.

30. DEFFERED TAXATION

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

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	—	—	—	595
Deferred tax liabilities	(79)	(91)	(151)	(26)
	(79)	(91)	(151)	569

The movements in deferred tax assets/(liabilities) of the Group during the Track Record Period are as follows:

	Difference between depreciation allowance and related depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	27	—	27
Charged to combined statement of comprehensive income during the year *(Note 12)*	(106)	—	(106)
At 31 December 2008	(79)	—	(79)
Charged to combined statement of comprehensive income during the year *(Note 12)*	(12)	—	(12)
At 31 December 2009	(91)	—	(91)
Charged to combined statement of comprehensive income during the year *(Note 12)*	(60)	—	(60)
At 31 December 2010	(151)	—	(151)
(Charged)/credited to combined statement of comprehensive income during the period *(Note 12)*	(26)	746	720
At 30 April 2011	(177)	746	569

At 31 December 2008, the Group had tax losses of approximately HK$1,243,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future income stream. No tax losses are reported at 31 December 2009 and 31 December 2010.

At 30 April 2011, the Group had unused tax losses of approximately HK$6,531,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$4,520,000 of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,011,000 due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

For the purpose of this report, the issued share capital in the combined statements of financial position at 1 January 2008, 31 December 2008 and 2009 represented the aggregate share capital of Fornton Holdings, Fornton Knitting and Nice Regent.

The share capital at 31 December 2010 and 30 April 2011 represented the share capital of Wide Reach, and the aggregate share capital of Fornton Holdings, Fornton Knitting and Nice Regent held by Mr. Yam, Ms Wong and Mr. Wong as at 31 December 2010 and 30 April 2011.

The Company was incorporated in Bermuda as an exempted company with limited liabilities under the Bermuda Companies Act 1981 on 13 April 2011 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each and 3,000 shares were issued thereafter.

Pursuant to a resolutions in writing of the shareholders of the Company passed on 11 October 2011, the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by creation of 9,990,000,000 new shares.

32. RESERVES

Merger reserve

On 31 December 2010, as part of the Reorganisation, Wide Reach subscribed to the allotment of new shares by the Group's subsidiary, which accounted for 99.98%, 80% and 99.9% of the then resulting issued share capital of Fornton Holdings, Fornton Knitting and Nice Regent respectively and gained controlled of them. The subscription of new shares was accounted for by the Group using merger method and HK$8,020,000 was recognised in merger reserve.

33. RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiary established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK$509,000, HK$471,000, HK$479,000, HK$147,000 and HK$206,000 for the year ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2010 and 2011, respectively.

34. MAJOR NON-CASH-TRANSACTIONS

During the year ended 31 December 2008, the Group entered into finance lease arrangements in respect of motor vehicle with a total capital value at the inception of the lease of HK$1,050,000.

During the year ended 31 December 2010, the dividend paid by Fornton Knitting amount to approximately HK$48,170,000 was offset with the amounts due from directors.

During the year ended 31 December 2010, amounts due from related companies of approximately HK$47,777,000 have been assigned to amounts due to directors with same amounts.

35. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Lease for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Year ended 31 December			Four months ended 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,179	4,193	3,308	5,173
In the second to fifth year inclusive	2,914	—	4,188	7,103
	6,093	4,193	7,496	12,276

36. CAPITAL COMMITMENT

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of:				
Plant and equipment	—	—	26	31,436
Prepaid lease payment	341	340	352	—

37. CONTINGENT LIABILITIES

A subsidiary has been named as defendant in a High Court action since a writ was issued against it and it was claimed for an amount of approximately HK$1,118,000 of which approximately HK$851,000 is already included in the trade payables at 31 December 2008, 31 December 2009, 31 December 2010 and 30 April 2011. The subsidiary has filed a defence and counterclaim to this writ. In the opinion of the directors of the Company, no additional provision for any potential liability has been made in the Financial Information as the additional claim is regarded as remote.

38. RELATED PARTY TRANSACTIONS

In addition to those balances with related parties disclosed in Notes 22, 23 and 27, respectively, the Group has entered into the following significant transactions with related parties during the Track Record Period.

(a) Compensation of key management personnel

Other than the remuneration paid to the directors and employees of the Group as set out in Note 15, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

(b) Banking facilities

At 31 December 2008, 2009, 2010 and 30 April 2011, certain banking facilities of the Group were jointly guaranteed by the directors of the Company to the following extent:

	At 31 December			At 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Wong and Mr. Yam	60,000	66,000	99,500	120,460
Mr. Wong	40,500	40,500	55,000	55,960

Details of the guarantees are set out in Note 28.

The guarantee provided by Ms. Wong, Mr. Yam and Mr. Wong will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

(c) Other related parties transactions

		Year ended 31 December			Four months ended 30 April
Name of company	**Nature of transaction**	**2008**	**2009**	**2010**	**2011**
		HK$000	*HK$000*	*HK$000*	*HK$000*
Junall	Rental paid thereto	180	—	—	—
Long Rise	Interest income therefrom	—	—	189	—
	Rental paid thereto	—	—	142	568

The above transactions were at terms determined and agreed by the Company and the relevant parties.

The proceed from the mortgage loan raised during the year ended 31 December 2010 was advanced to Long Rise for acquisition of the property. On 30 March 2011, the Group entered into a tenancy agreement with Long Rise in respect of the leasing of this property as the Group's headquarter, at an annual rental of HK$1,800,000.

B. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 April 2011:

1. Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited. Details of the Reorganisation are set out in the section headed "Reorganisation" in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 11 October 2011.

2. Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 11 October 2011, the Company has conditionally adopted a share option scheme. The principal terms of the share option scheme are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2011.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299
Hong Kong