*You should read this section in conjunction with the Group's audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. The Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products in predominately the Japan market. The Group provides one-stop supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands.

During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales order and/or design recommended or inspired by the Group. The following table sets out a breakdown of the Group's revenue by types of knitwear products during the Track Record Period:

	For the year ended 31 March				**For the eight months ended 30 November**			
	2015		**2016**		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Pullovers	242,869	61.0	293,749	67.5	205,182	78.0	238,226	76.4
Cardigans	137,239	34.5	129,709	29.8	52,097	19.8	66,665	21.4
Other knitwear products *(Note)*	17,860	4.5	11,748	2.7	5,670	2.2	6,734	2.2
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

Note: *Other knitwear products comprise vests, skirts, dresses, overalls, pants, ponchos, jackets, neck warmers and scarfs.*

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following table sets out a breakdown of the Group's revenue during the Track Record Period by categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

During the Track Record Period, majority of the Group's knitwear products were sold to Japan. The Group's products were also sold to Hong Kong, the PRC, Taiwan, France, the USA, Australia and South Africa. The following table sets out a breakdown of the Group's revenue by geographical segments (according to the locations where the Group's products were sold) during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations *(Note)*	3,589	0.9	4,154	0.9	3,124	1.2	1,192	0.4
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

Note: Other locations comprise Taiwan, France, the USA, Australia and South Africa.

BASIS OF PRESENTATION

Prior to the Share Offer, the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since 18 May 2016. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus for details.

The financial information set out in the Accountants' Report in Appendix I to this prospectus aims to include assets, liabilities, income and expenses that are related to and specifically identified for the Garment Business. During the Track Record Period, apart from running the Garment Business, Speed Apparel and Firenze Apparel also have certain non-core assets and liabilities which are not directly related to, nor form part of, the Group's principal Garment Business (the "**Other Assets and Liabilities**") and the Group had segregated the relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the financial information to be included in the Accountants' Report. In particular, since Speed Apparel and Firenze Apparel maintained the same bank accounts for both of their Garment Business as well as for their Other Assets and Liabilities, all cash transactions from the Garment Business and the Other Assets and Liabilities are processed through the same bank accounts, which cannot be segregated. As a result, the bank balances and cash of Speed Apparel and Firenze Apparel for the Track Record Period were reflected in the financial information throughout the Track Record Period. The Directors believe that the method of segregation and allocation represents a reasonable basis of determining what the financial position and financial performance of the Garment Business would have been on a stand-alone basis.

The financial information has been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Garment Business, using the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Garment Business as if the Company had always been the holding company of the Group, and the Garment Business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment, where applicable.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's 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.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" in this prospectus and as set out below:

The Group's business relationship with major customers

The Group's top five customers accounted for approximately 86.9%, 90.4% and 92.1% of the total revenue for the two years ended 31 March 2016 and for the eight months ended 30 November 2016, respectively. In particular, approximately 43.9%, 50.8% and 50.9% of the Group's total revenue were attributable to its largest customer for the two years ended 31 March 2016 and for the eight months ended 30 November 2016, respectively. The Group has not entered into any long-term sales contracts with its customers. The customers are not obligated in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. If any of these top customers reduces the volume or prices of products to be ordered to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new business from other customers for replacement. In addition, if any of the Group's major customers experience any financial difficulty and fail to settle the outstanding amounts due to the Group in accordance with the agreed credit terms, the Group's working capital position may be adversely affected.

The Group's business relationship with major manufacturers

The Group's production of apparels for its customers was carried out by the third-party manufacturers with manufacturing operations located in the PRC and/or Thailand. During the Track Record Period, the subcontracting charges accounted for approximately 71.0%, 76.2% and 74.7% of the Group's total cost of sales respectively. The Group did not enter into any long-term contract with the third-party manufacturers, the terms of services provided by them may also be susceptible to fluctuations with regard to pricing, timing and quality. Any increase in these factors may be passed on to the Group but the Group might not be able to pass on all or any part of the increase in costs to its customers, which may have material adverse effect on the Group's financial performance.

Raw materials price

Cost of raw materials and consumable used include the cost of yarn, buttons, zippers and other accessories for the knitwear products. For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, such costs represented approximately 27.1%, 20.9% and 22.6% of the Group's cost of sales respectively. The Group has not entered into long-term agreements with its raw material suppliers. For each order, the Group enters into separate purchase orders which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, among others. There is no assurance that the existing suppliers of the Group will continue to supply the raw materials the Group to produce the knitwear products at favourable or similar prices, or at all. In the event that the prices of raw materials continue to rise and the Group is unable to increase the prices of the products to the same or higher extent, the Group's profitability may be adversely affected.

Consumer consumption level and macroeconomic conditions

The Group's customers are predominantly located in Japan. The Group's performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world especially in Japan. There are many factors which may affect the level of consumer spending in Japan, including but not limited to level of disposable income, interest rates, currency exchange rates, recession, inflation, political uncertainty, taxation, tariff regime, stock market performance, unemployment level and general consumer confidence.

Market competition

The Group's business acts as an intermediary between owners or sourcing agents of apparel retail brands and third-party manufacturers. With the development of the internet and the increasing popularity of businesses, in particular third-party manufacturers, providing business-to-business commerce sites, brand owners and sourcing agents may be able to easily access third-party manufacturers and may reduce their reliance on the Group's supply chain management solutions and services and which may have a material adverse impact on the Group's financials.

Seasonality

The apparel market exhibits seasonality and is subject to dynamic changes in trends and consumers' preferences. The Group and its customers are accustomed to traditional seasonal cycles and the apparel products the Group procured for its customers may not adapt to distinct changes between seasons or in weather conditions. Other than seasonality, any unexpected and abnormal climate changes and weather events may affect the sales of the Group's knitwear products which, in turn, may have material adverse impact to the operation and profitability of the Group.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared using the significant accounting policies set forth in Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus, which conform with the HKFRS.

Below is a summary of certain significant accounting policies that the Group believes are important to the presentation of its financial results and positions.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns. Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

For further details, please refer to Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

Other accounting policies

The Group also has other accounting policies, such as "Merger accounting for business combination involving entities under common control", "Leasing", "Foreign currencies", "Taxation", "Inventories" and "Impairment losses" that the Group considers to be significant, the details of which are set forth in Note 3 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

KEY SOURCES OF ESTIMATES UNCERTAINTY

The critical accounting judgements that the Group uses in applying its accounting policies are set out in Note 4 to Section A of the Accountants' Report set out in Appendix I to this prospectus. In the application of the Group's accounting policies, the Directors are required to make judgments, 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 on-going 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.

Impairment of trade and bills receivables

As at 31 March 2015, 31 March 2016 and 30 November 2016, the carrying amounts of trade and bills receivables were approximately HK$9.8 million, HK$26.0 million and HK$39.2 million, respectively. Please refer to Note 4 to Section A of the Accountants' Report set out in Appendix I to this prospectus for further details.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	397,968	435,206	262,949	311,625
Cost of sales	(335,360)	(371,059)	(227,212)	(266,249)
Gross profit	62,608	64,147	35,737	45,376
Other income	1,738	1,486	1,065	1,176
Other loss	(1,477)	(2,135)	(1,224)	(1,521)
Selling and distribution expenses	(26,503)	(22,517)	(13,655)	(15,695)
Administrative expenses	(21,514)	(20,582)	(12,921)	(14,554)
Listing expenses	—	(3,207)	—	(7,055)
Finance costs	(2,232)	(1,359)	(1,167)	(488)
Profit before taxation	12,620	15,833	7,835	7,239
Income tax expense	(2,088)	(3,367)	(1,238)	(2,412)
Profit for the year/period	10,532	12,466	6,597	4,827
Other comprehensive income (expense)				
Item that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	—	1	—	(69)
Total comprehensive income for the year/period	10,532	12,467	6,597	4,758

Revenue

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. During the Track Record Period, the Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with the provision of apparel supply chain management services to its customers. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC and/or Thailand.

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear, representing approximately 90.6%, 83.5% and 77.9% of the Group's total revenue respectively. The following table sets out a breakdown of the Group's revenue during the Track Record Period by product categories:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Womenswear	360,390	90.6	363,294	83.5	206,459	78.5	242,803	77.9
Menswear	37,578	9.4	71,912	16.5	56,490	21.5	68,822	22.1
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders and/or designs recommended or inspired by the Group. The following table sets out a breakdown of the Group's revenue during the Track Record Period by design origination:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Designs developed by the Group	142,324	35.8	175,028	40.2	130,855	49.8	134,541	43.2
Designs developed by customers	255,644	64.2	260,178	59.8	132,094	50.2	177,084	56.8
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

Sales volume

During the Track Record Period, the sales volume of the Group amounted to approximately 7,522,000, 8,352,000 and 5,350,000 units of finished knitwear products respectively. Set out below are the total sales quantities of each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Units sold ('000)	*%*	*Units sold ('000)*	*%*	*Units sold ('000) (unaudited)*	*%*	*Units sold ('000)*	*%*
Womenswear	7,179	95.4	7,010	83.9	3,928	77.9	4,162	77.8
Menswear	343	4.6	1,342	16.1	1,114	22.1	1,188	22.2
	7,522	100.0	8,352	100.0	5,042	100.0	5,350	100.0

Average selling price

The selling price of each of the product categories depends primarily on, among other thing, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per unit of finished product sold by the Group to its customers for each product category during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	Price range	**Average selling price** *(Note)*	**Price range**	**Average selling price** *(Note)*	**Price range**	**Average selling price** *(Note)*	**Price range**	**Average selling price** *(Note)*
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Womenswear	30.8–326.0	50.2	21.8–378.3	51.8	21.8–282.0	52.6	32.8–922.7	58.3
Menswear	41.3–655.2	109.7	36.3–499.2	53.6	36.3–499.2	50.7	39.0–397.8	58.0
Total average selling price		52.9		52.1		52.2		58.2

Note: The average selling price represents the revenue for the year/period divided by the total sales quantities for that year/period.

Location of customers

During the Track Record Period, the majority of the Group's knitwear products were sold to Japan while the remaining were sold to Hong Kong, the PRC, Taiwan, France, Australia, South Africa and the USA. The following table sets out a breakdown of the Group's revenue by geographical segments during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Japan	367,251	92.3	390,801	89.8	235,865	89.7	288,884	92.7
Hong Kong	22,595	5.7	29,515	6.8	17,904	6.8	14,473	4.6
The PRC	4,533	1.1	10,736	2.5	6,056	2.3	7,076	2.3
Other locations *(Note)*	3,589	0.9	4,154	0.9	3,124	1.2	1,192	0.4
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

Note: Other locations comprise Taiwan, France, Australia, South Africa and the USA.

Denomination of sales

Set out below is a breakdown of the Group's revenue by currency denomination during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
HK$	167	0.0	—	—	—	—	—	—
RMB	4,189	1.1	10,164	2.3	5,686	2.2	6,901	2.2
US$	393,612	98.9	425,042	97.7	257,263	97.8	304,724	97.8
	397,968	100.0	435,206	100.0	262,949	100.0	311,625	100.0

The majority of the Group's revenue were denominated in US$ during the Track Record Period. For the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group recorded other loss of approximately HK$1.5 million, HK$2.1 million and HK$1.5 million respectively, was mainly attributable to the increase in sales orders which were denominated in US$ coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK$ denominated bank accounts for each of the relevant period. Such exchange differences arising on the Group's revenue denominated in US$ was mainly due to the translation of such transaction amounts were recognised in the Group's consolidated statement of profit or loss and other comprehensive income according to an exchange rate of HK$7.80: USD1.00 whilst the settlement of such transaction amounts were based on the rate of exchanges prevailing on the dates of settlement. Notwithstanding the above, the Directors are of the opinion that the Group's exposure to US$ foreign currency risk is minimal as HK$ was pegged to US$ by the Hong Kong's Linked Exchange Rate System.

However, the fluctuations in the foreign exchange rate of JPY may materially affect the Group's business. If JPY depreciates, the Japanese customers may consider the Group's product (which are quoted in USD) relatively higher and as a result bargain for a deeper discount in the prices and may order less. Please refer to the section headed "The Group's performance and profitability may be affected by the fluctuation of exchange rate of JPY" for further details. Under such circumstances, the Group will further negotiate the raw material prices with suppliers and strive to obtain more sales order from new customers or other existing customers to replace any such loss of sales in order to maintain the Group's profit margin. Furthermore, as it is the Group's strategy to attempt to, if necessary, stock up raw materials that are classic or commonly used when the prices decrease. As such, the Directors consider that the above practice would allow the Group to effectively manage the risk as to fluctuations in the foreign exchange rate of JPY.

Cost of sales

The breakdown of cost of sales for each of the Track Record Period is as follows:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Subcontracting charges	238,098	71.0	282,827	76.2	170,805	75.2	198,915	74.7
Raw materials and consumable used	90,772	27.1	77,663	20.9	49,829	21.9	60,242	22.6
Inspection fee	4,590	1.4	8,709	2.4	5,607	2.5	6,370	2.4
Other processing charges	1,900	0.5	1,860	0.5	971	0.4	722	0.3
	335,360	100.0	371,059	100.0	227,212	100.0	266,249	100.0

Cost of sales primarily comprises:

(i) Subcontracting charges represent the charges paid and payable to the third-party manufacturers who provide production services to the Group. The following sensitivity analysis illustrates the impact of hypothetical fluctuation in the Group's subcontracting charges on the Group's profit during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in subcontracting charges	**–10%**	**–20%**	**+10%**	**+20%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	23,810	47,620	(23,810)	(47,620)
Year ended 31 March 2016	28,283	56,565	(28,283)	(56,565)
Period ended 30 November 2015	17,081	34,161	(17,081)	(34,161)
Period ended 30 November 2016	19,892	39,783	(19,892)	(39,783)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	19,881	39,763	(19,881)	(39,763)
Year ended 31 March 2016	23,616	47,232	(23,616)	(47,232)
Period ended 30 November 2015	14,263	28,524	(14,263)	(28,524)
Period ended 30 November 2016	16,610	33,219	(16,610)	(33,219)

(ii) Raw materials and consumables used represent purchase cost of direct raw materials such as yarn and ancillary raw materials, including buttons and zippers. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of raw materials and consumable used on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10%, which is the maximum fluctuation rate during the Track Record Period, and at 20%, which is the double of the maximum fluctuation rate to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in cost of raw materials and consumable used	**–10%**	**–20%**	**+10%**	**+20%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit before tax				
Year ended 31 March 2015	9,077	18,154	(9,077)	(18,154)
Year ended 31 March 2016	7,766	15,533	(7,766)	(15,533)
Period ended 30 November 2015	4,983	9,966	(4,983)	(9,966)
Period ended 30 November 2016	6,024	12,048	(6,024)	(12,048)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2015	7,579	15,159	(7,579)	(15,159)
Year ended 31 March 2016	6,485	12,970	(6,485)	(12,970)
Period ended 30 November 2015	4,161	8,322	(4,161)	(8,322)
Period ended 30 November 2016	5,030	10,060	(5,030)	(10,060)

(iii) Inspection fee represents the fee paid and payable to the inspection centres who carry out quality inspections on the knitwear products.

(iv) Other processing charges represent the laboratory testing fee, machinery embroidery charges and dyeing charges etc.

Denomination of cost of sales

Set out below is a breakdown of the Group's cost of sales by currency denomination during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
HK$	175,933	52.4	254,895	68.7	153,014	67.4	123,887	46.5
US$	142,448	42.5	75,476	20.3	44,372	19.5	112,240	42.2
RMB	16,003	4.8	36,363	9.8	26,417	11.6	28,717	10.8
Other currencies	976	0.3	4,325	1.2	3,409	1.5	1,405	0.5
	335,360	100.0	371,059	100.0	227,212	100.0	266,249	100.0

Note: Other currencies comprise JPY, Thai baht and Euro.

Payments made by the Group for settlement of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges are mainly made in HK$, US$ and RMB. The Group did not use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuations during the Track Record Period. As the Group's sales are predominantly denominated in US$ while its costs are mainly denominated in HK$, US$ and RMB, the movements in the exchange rate of RMB against US$ may have a direct effect on the Group's financial performance. For instance, the appreciation of RMB against US$ will lead to increased cost of sales and decreased profit margin for the Group. However, the Directors believe that the Group's exposure to RMB foreign currency risk is low as only a minority portion of the costs of sale was settled by RMB during the Track Record Period.

Gross profit and gross profit margin

The table sets forth a breakdown of the gross profit and gross profit margin by product categories during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*	*HK$'000 (unaudited)*	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*
Womenswear	54,391	15.1	54,806	15.1	29,840	14.5	36,796	15.2
Menswear	8,217	21.9	9,341	13.0	5,897	10.4	8,580	12.5
Overall	62,608	15.7	64,147	14.7	35,737	13.6	45,376	14.6

The table sets forth a breakdown of the gross profit margin for the Group's products during the Track Record Period by design origination:

	For the year ended 31 March				For the eight months ended 30 November			
	2015		2016		2015		2016	
	HK$'000	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*	*HK$'000 (unaudited)*	*Gross profit margin (%)*	*HK$'000*	*Gross profit margin (%)*
Designs developed by the Group	18,408	12.9	23,756	13.6	14,716	11.2	18,338	13.6
Designs developed by customers	44,200	17.3	40,391	15.5	21,021	15.9	27,038	15.3
	62,608	15.7	64,147	14.7	35,737	13.6	45,376	14.6

Gross profit for each category is calculated as revenue of each of the product categories minus cost of sales allocated to the relevant product categories. The cost of sales mainly includes (i) subcontracting charges; (ii) raw materials and consumable used; (iii) inspection fees; and (iv) other processing charges.

The Group's gross profit amounted to approximately HK$62.6 million, HK$64.1 million and HK$45.4 million for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016. The Group's overall gross profit margin was approximately 15.7%, 14.7% and 14.6% for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016. Such decrease in the Group's overall gross profit margin was mainly attributable to the decrease in the gross profit margin of menswear during the Track Record Period, which in turn was mainly due to the increase in purchase orders of lower priced products from a major customer with lower gross profit margin. The gross profit margin of womenswear remained relatively stable at approximately 15.1%, 15.1% and 15.2% for each of the two years ended 31 March 2016 and the eight months ended 30 November 2016.

For each of the two years ended 31 March 2016 and the eight months ended 30 November 2016, the gross profit margin for the product designs developed by the Group accounted for approximately 12.9%, 13.6% and 13.6%, respectively while the gross profit margin for the product designs developed by the customers accounted for approximately 17.3%, 15.5% and 15.3%, respectively. The gross profit margin for product designs developed by the Group's customers was higher than that of those developed by the Group was mainly attributable to the fact that certain sample charges and other costs related to the product designs were incurred for the Group's product designs development activities whereas the customers' order quantities on their designed products were generally in a larger scale which allowed the Group to enjoy lower production cost and hence achieved economies of scale.

Other income

The following table sets out the Group's other income during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Sample sales income	1,532	1,360	960	1,165
Bank interest income	204	124	105	11
Others	2	2	—	—
	1,738	1,486	1,065	1,176

Other loss

For the two years ended 31 March 2016 and the eight months ended 30 November 2016, the Group recorded other loss of approximately HK$1.5 million, HK$2.1 million and HK$1.5 million respectively, was mainly attributable to the increase in sales orders which were denominated in USD coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK$ denominated bank accounts for each of the relevant period.

Selling and distribution expenses

The following table sets out the Group's selling and distribution expenses during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Advertising expense	163	108	52	112
Commission	3,767	2,390	1,741	1,223
Logistic expenses	3,546	3,213	1,930	2,246
Sample costs	6,811	5,807	3,943	5,097
Staff costs and benefits	12,216	10,999	5,989	7,017
	26,503	22,517	13,655	15,695

Administrative expenses

The following table sets out the Group's administrative and other operating expenses during the Track Record Period:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Audit fee	95	150	100	533
Bank charges	1,348	1,287	629	960
Depreciation	2,022	1,713	1,284	489
Directors' emoluments	3,194	2,932	1,925	1,933
Entertainment	889	604	436	352
Legal and professional fee	39	232	—	173
Office expenses	2,575	1,697	1,241	1,443
Overseas and local travelling	1,962	1,882	1,239	1,521
Rent and rates	578	646	338	818
Staff costs and benefits	8,812	9,439	5,729	6,332
	21,514	20,582	12,921	14,554

Finance cost

During the Track Record Period, the Group's finance costs amounted to approximately HK$2.2 million, HK$1.4 million and HK$0.5 million, respectively. The Group's finance costs represent interest expenses on the Group's bank borrowings.

Income tax expenses (credit)

The amounts of income tax expenses in the consolidated statements of comprehensive income represent:

	Year ended 31 March		For the eight months ended 30 November	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Current tax:				
Hong Kong Profits Tax				
— current year/period	2,021	3,121	1,238	2,310
— overprovision in prior years	(1)	—	—	—
PRC Enterprise Income Tax ("EIT")				
— current year/period	—	—	—	122
	2,020	3,121	1,238	2,432
Deferred tax	68	246	—	(20)
	2,088	3,367	1,238	2,412

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of a subsidiary established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		For the eight months ended 30 November	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	12,620	15,833	7,835	7,239
Tax at Hong Kong Profits tax rate of 16.5%	2,082	2,612	1,293	1,194
Tax effect of expenses not deductible for tax purposes	48	592	—	1,179
Tax effect of income not taxable for tax purposes	(1)	(20)	(55)	(2)
Overprovision in prior years	(1)	—	—	—
Tax effect of profit under tax concessions	(40)	(61)	—	—
Tax effect of reversal of deferred tax recognised in prior years/period	—	244	—	—
Effect of difference tax rate of a subsidiary operating in another jurisdiction	—	—	—	41
Income tax expenses for the year/period	2,088	3,367	1,238	2,412

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. For further details, please refer to notes 7 and 13 to Section A of the Accountants' Report set out in Appendix I to this prospectus.

The Directors confirm that the Group had paid all relevant taxes and was not subject to any disputes or tax issues during the Track Record Period.

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

The Group's revenue increased by approximately 9.3%, or approximately HK$37.2 million, from approximately HK$398.0 million for the year ended 31 March 2015 to approximately HK$435.2 million for the year ended 31 March 2016. The increase in revenue was mainly attributable to the increase in sales volume of the knitwear products.

Womenswear

During the Track Record Period, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear increased by approximately HK$2.9 million or 0.8% from approximately HK$360.4 million for the year ended 31 March 2015 to approximately HK$363.3 million for the year ended 31 March 2016. Such slight increase was mainly attributable to the increase in average selling price from approximately HK$50.2 for the year ended 31 March 2015 to approximately HK$51.8 for the year ended 31 March 2016, which outweighs the decrease in sales quantity from approximately 7.2 million pieces to approximately 7.0 million pieces.

Menswear

The Group's revenue derived from the sales of menswear significant increased by approximately HK$34.3 million or 91.2% from approximately HK$37.6 million for the year ended 31 March 2015 to approximately HK$71.9 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in sales orders of menswear placed by existing customers and more frequent marketing activities implemented by the Group during the year.

Cost of sales

The Group's cost of sales increased from approximately HK$335.4 million for the year ended 31 March 2015 to approximately HK$371.1 million for the year ended 31 March 2016, representing an increase of approximately 10.6%.

Subcontracting charges were the largest component of the Group's cost of sales, representing approximately 71.0% and 76.2% for the two years ended 31 March 2016, respectively. The subcontracting charges increased from approximately HK$238.1 million for the year ended 31 March 2015 to approximately HK$282.8 million for the year ended 31 March 2016, representing an increase of approximately 18.8%, while the inspection fee increased from approximately HK$4.6 million for the year ended 31 March 2015 to approximately HK$8.7 million for the year ended 31 March 2016, representing an increase of approximately 89.1%. The increase in subcontracting charges and inspection fee was generally in line with the increase in the Group's revenue and cost of sales for the year ended 31 March 2016 as compared to that for the year ended 31 March 2015.

In addition, the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production during the year ended 31 March 2016, which led to the increase in subcontracting charges paid to the subcontractors by the Group.

Raw materials and consumable used decreased from approximately HK$90.8 million for the year ended 31 March 2015 to approximately HK$77.7 million for the year ended 31 March 2016, representing a decrease of approximately 14.4%. The decrease in raw materials and consumable used was due to the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production as aforementioned.

The other processing charges remained relatively stable and represented approximately 0.5% and 0.5% of total cost of sales for each of the year ended 31 March 2015 and 2016 respectively.

Gross profit

The Group's gross profit increased from approximately HK$62.6 million for the year ended 31 March 2015 to approximately HK$64.1 million for the year ended 31 March 2016, representing approximately 2.4% increase. The increase was mainly attributable to the increase in sales volume of knitwear products. However, as there was increase in purchase orders of lower priced products of menswear from a major customer with lower gross profit margin, the gross profit margin of the Group decreased from approximately 15.7% for the year ended 31 March 2015 to approximately 14.7% for the year ended 31 March 2016.

Other income

The Group's other income amounted to approximately HK$1.7 million and HK$1.5 million for each of the year ended 31 March 2015 and 2016 respectively. The decrease in other income was mainly attributable to a decrease in sample sales income and bank interest income.

Other loss

Other loss increased by approximately HK$0.6 million, or approximately 40.0%, from approximately HK$1.5 million for the year ended 31 March 2015 to approximately HK$2.1 million for the year ended 31 March 2016. Such increase in other loss was primarily due to the increase in sales orders which were denominated in USD for the year ended 31 March 2016 coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK$ denominated bank accounts.

Selling and distribution expenses

The Group's selling and distribution expenses amounted to approximately HK$26.5 million and HK$22.5 million for each of the two years ended 31 March 2016 respectively. The decrease in selling and distribution expenses was mainly due to the decrease in (i) commission; (ii) sample costs; and (iii) staff costs and benefits. The decrease in commission was mainly due to the decrease in the rate of commission, which is based on the product brands, charged by the sourcing agents.

The reduction in staff costs was mainly attributable to the decrease in number of merchandisers as a result of resignation during the year ended 31 March 2016 compared to the year ended 31 March 2015.

Administrative expenses

The administrative expenses decreased from approximately HK$21.5 million for the year ended 31 March 2015 to approximately HK$20.6 million for the year ended 31 March 2016, which was due to the decrease in office expenses and depreciation which outweighs the increase in staff costs and benefits.

Finance costs

The Group's finance costs decreased by approximately HK$0.8 million or 36.4% from approximately HK$2.2 million for the year ended 31 March 2015 to approximately HK$1.4 million for the year ended 31 March 2016, which was primarily due to a decrease in interest expenses on the Group's bank borrowings for the year ended 31 March 2016.

Profit before income tax

As a result of the foregoing, profit before income tax increased by approximately 25.4% or HK$3.2 million from approximately HK$12.6 million for the year ended 31 March 2015 to approximately HK$15.8 million for the year ended 31 March 2016.

Income tax expenses

The Group's income tax expense increased by approximately HK$1.3 million or 61.9% from approximately HK$2.1 million for the year ended 31 March 2015 to approximately HK$3.4 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in the Group's assessable income which was in line with the Group's financial result for the year ended 31 March 2016. In addition, the Group recognised listing expenses of HK$3.2 million in profit or loss for the year ended 31 March 2016, which is non-deductible for tax purpose and thus has been added back in determining income tax expenses for the year.

The effective tax rate for the two years ended 31 March 2016 were approximately 16.5% and 21.3% respectively. The increase in the effective tax rate was mainly due to the non-deductible listing expenses incurred for the year ended 31 March 2016 as aforementioned.

Profit for the year

The profit for the year increased by approximately 19.0% or HK$2.0 million from approximately HK$10.5 million for the year ended 31 March 2015 to approximately HK$12.5 million for the year ended 31 March 2016 due to the combined effect of abovementioned items.

Eight months ended 30 November 2015 compared to eight months ended 30 November 2016

Revenue

The Group's revenue increased by approximately 18.5%, or approximately HK$48.7 million, from approximately HK$262.9 million for the eight months ended 30 November 2015 to approximately HK$311.6 million for the eight months ended 30 November 2016. The increase in revenue was mainly attributable to the increase in both sales of womenswear by approximately 17.6% or HK$36.3 million and sales of menswear by approximately 21.8% or HK$12.3 million.

Womenswear

Revenue derived from the sales of womenswear increased by approximately HK$36.3 million or 17.6% from approximately HK$206.5 million for the eight months ended 30 November 2015 to approximately HK$242.8 million for the eight months ended 30 November 2016. Such increase was mainly attributable to the increase of approximately 10.8% in average selling price of womenswear from approximately HK$52.6 for the eight months ended 30 November 2015 to approximately HK$58.3 for the eight months ended 30 November 2016.

Menswear

The Group's revenue derived from the sales of menswear significant increased by 21.8% or approximately HK$12.3 million from approximately HK$56.5 million for the eight months ended 30 November 2015 to approximately HK$68.8 million for the eight months ended 30 November 2016. Such increase was mainly attributable to the continuous efforts of the Group to promote menswear and an increase in average selling price from approximately HK$50.7 for the eight months ended 30 November 2015 to approximately HK$58.0 for the eight months ended 30 November 2016.

Cost of sales

The Group's cost of sales increased by approximately 17.2% or HK$39.0 million from approximately HK$227.2 million for the eight months ended 30 November 2015 to approximately HK$266.2 million for the eight months ended 30 November 2016, which was in line with the increase of revenue by approximately 18.5% for the same period.

Subcontracting charges represented approximately 75.2% and 74.7% of the total cost of sales for the eight months ended 30 November 2015 and 2016, respectively. The subcontracting charges increased by approximately HK$28.1 million or 16.5% for the eight months ended 30 November 2016, was mainly attributable to the increase in sales volume of the Group's knitwear and the increase in the Group's demand for the third party manufacturers to source and procure raw materials and consumables for production.

Raw materials and consumable used increased from approximately HK$49.8 million for the eight months ended 30 November 2015 to approximately HK$60.2 million for the eight months ended 30 November 2016, representing an increase of approximately 20.9%. The increase in raw materials and consumable used was due to the increase in sales of the Group's knitwear products comparing to that of the previous corresponding period.

The inspection fee and other processing charges accounted for approximately 2.5% and 0.4% of the Group's total cost of sales for the eight months ended 30 November 2015, respectively and approximately 2.4% and 0.3% for the eight months ended 30 November 2016, respectively. The slight decrease in both inspection fee and other processing charges was primarily due to the fact that certain inspection fee and other processing charges were covered by the third party manufacturers as stipulated in the production orders entered into between the Group and the third party manufacturers. The third party manufacturers have taken into account such cost when determining subcontracting charges. This may led to the increase in subcontracting charges paid to the subcontractors by the Group.

Gross profit

The Group's gross profit increased from approximately HK$35.7 million for the eight months ended 30 November 2015 to approximately HK$45.4 million for the eight months ended 30 November 2016, representing an increase of approximately 27.2%. Such increase was primarily attributable to (i) the increase in gross profit margin of both womenswear and menswear for the eight months ended 30 November 2016; and (ii) increase in sales quantities of knitwear products which had relatively higher gross profit margin comparing to that of the previous corresponding period.

Other income

The Group's other income amounted to approximately HK$1,065,000 and HK$1,176,000 for each of the eight months ended 30 November 2015 and 2016 respectively. The increase in other income was mainly attributable to a decrease in bank interest income of approximately HK$94,000 and partly offset by an increase in sample sales income of approximately HK$205,000.

Other loss

The Group's other loss amounted to approximately HK$1,224,000 and HK$1,521,000 for each of the eight months ended 30 November 2015 and 2016 respectively. Such increase in other loss was primarily due to the increase in sales orders which were denominated in USD for the eight months ended 30 November 2016 coupled with the exchange loss arising from depositing the relevant payment from customers into the Group's HK$ denominated bank accounts.

Selling and distribution expenses

The Group's selling and distribution expenses increased slightly by approximately 14.6% or HK$2.0 million from approximately HK$13.7 million for the eight months ended 30 November 2015 to approximately HK$15.7 million for the eight months ended 30 November 2016. The increase was mainly attributable to the increase in sample costs of approximately HK$1.2 million and staff costs and benefits of approximately HK$1.0 million.

Although the Group's revenue increased by approximately 18.5% for the eight months ended 30 November 2016, the Group only recorded an increase on selling and distribution expenses of approximately 14.6%. This was mainly because the increase in revenue was partly contributed by a fashion brand's designated sourcing agent which did not charge any commission to the Group. Whether commission is payable by the Group to a particular fashion brand's designated sourcing agent and if so, the rate at which such commission is charged is based on, amongst others, the products' brands and the services scope agreed between the Group, sourcing agents and fashion brands.

Administrative expenses

The Group's administrative expenses increased by approximately 13.2% or HK$1.7 million from approximately HK$12.9 million for the eight months ended 30 November 2015 to approximately HK$14.6 million for the eight months ended 30 November 2016. Such increase was mainly attributable to increase in audit fee, rent and rates and staff costs and benefits for the eight months ended 30 November 2016 as compared to that of the previous corresponding period.

Finance costs

The Group's finance costs decreased by approximately 58.2% or HK$679,000 from approximately HK$1,167,000 for the eight months ended 30 November 2015 to approximately HK$488,000 for the eight months ended 30 November 2016. The decrease in finance costs was primarily due to a decrease in interest expense on the Group's bank borrowings for the eight months ended 30 November 2016.

Profit before income tax

Although the Group experienced the increase in both revenue and gross profit for the eight months ended 30 November 2016 as aforementioned, the Group recorded a slight decrease on profit before income tax of approximately 7.7% mainly due to the Listing expenses incurred of approximately HK$7.1 million for the eight months ended 30 November 2016 while no such expenses were recognised for the previous corresponding period.

Income tax expenses

The Group recorded income tax expense of approximately HK$1.2 million and HK$2.4 million for the eight months ended 30 November 2015 and 2016, respectively. Such increase was mainly due to the non-deductible Listing expense incurred.

Profit for the period

The Group's profit for the period decreased by approximately 27.3% or HK$1.8 million from approximately HK$6.6 million for the eight months ended 30 November 2015 to approximately HK$4.8 million for the eight months ended 30 November 2016 mainly due to the combined effect of the abovementioned items.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks and related parties. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows data from the Group's consolidated statements of cash flows for the years indicated:

	Year ended 31 March		**For the eight months ended 30 November**	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Net cash from operating activities	28,575	8,509	2,035	14,004
Net cash (used in) from investing activities	(608)	696	(36)	(292)
Net cash (used in) from financing activities	(21,019)	(17,584)	(15,282)	13,046
Net increase (decrease) in cash and cash equivalents	6,948	(8,379)	(13,283)	26,758
Cash and cash equivalents at beginning of the year/period	22,275	29,223	29,223	20,844
Effect of foreign exchange rate changes	—	—	—	(44)
Cash and cash equivalents at end of the year/period	29,223	20,844	15,940	47,558

Net cash from operating activities

The net cash generated from operating activities was approximately HK$28.6 million for the year ended 31 March 2015. The amount was derived from the Group's profit before tax of approximately HK$12.6 million, mainly adjusted for (i) decrease in inventories of approximately HK$5.2 million, which was due to the continuous usage of the existing inventory stock for production of sample and finished products; (ii) increase in trade and bills receivables of approximately HK$3.0 million; and (iii) increase in trade and other payables of approximately HK$11.1 million. The trade and other payables increased mainly because there was a decrease in the number of raw material suppliers and third party manufacturers that required the Group to make partial or full prepayments during the year ended 31 March 2015.

The net cash generated from operating activities was approximately HK$8.5 million for the year ended 31 March 2016. The amount was derived from the Group's profit before tax of approximately HK$15.8 million, mainly adjusted for (i) increase in trade and bills receivables of approximately HK$16.2 million because of increase in sales during the year ended 31 March 2016; (ii) increase in other receivables, prepayments and deposits of approximately of HK$8.6 million, due to the increase in purchase orders whereby the subcontractors required more deposits to be paid by the Group; and (iii) decrease in inventories of approximately HK$18.0 million, primarily because of the continuous usage of the existing inventory stock for production of sample and finished products.

The net cash from operating activities was approximately HK$14.0 million for the eight months ended 30 November 2016. The amount was derived from the Group's profit before tax of approximately HK$7.2 million, mainly adjusted for (i) increase in trade and bills receivables of approximately HK$13.2 million because of increase in sales during the eight months ended 30 November 2016; and (ii) increase in trade and other payables of approximately HK$20.6 million. The trade and other payables increased mainly because there was an increase in production orders to the third-party manufacturers and purchase orders to the raw material suppliers during the peak season.

Net cash (used in)/from investing activities

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK$0.6 million, primarily attributable to purchase of property, plant and equipment of approximately HK$0.6 million, placement of pledged bank deposit of approximately HK$0.2 million, while partially offset by interest received of approximately HK$0.2 million.

For the year ended 31 March 2016, the Group recorded net cash from investing activities of approximately HK$0.7 million, primarily as a result of the withdrawal of pledged bank deposit of approximately HK$0.7 million and interest received of approximately HK$0.1 million, which was partially offset by the purchase of property, plant and equipment of approximately HK$0.1 million.

For the eight months ended 30 November 2016, the Group had net cash used in investing activities of approximately HK$0.3 million, representing mainly purchase of property, plant and equipment of approximately HK$0.3 million for the period.

Net cash (used in)/from financing activities

For the year ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK$21.0 million, primarily attributable to repayments of bank loans of approximately HK$22.2 million, dividends of HK$7.0 million paid to Mr. Chan, interest expenses of approximately HK$2.2 million and cash outflows of approximately HK$1.7 million from Other Assets and Liabilities, which was partially offset by the new bank loans of approximately HK$11.7 million raised.

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK$17.6 million, primarily attributable to repayment of bank loans of approximately HK$24.3 million, interest paid of approximately HK$1.4 million and cash outflows of approximately HK$1.3 million from Other Assets and Liabilities, which was partially offset by bank loans raised of approximately HK$8.9 million.

For the eight months ended 30 November 2016, the Group had net cash from financing activities of approximately HK$13.0 million, representing mainly new bank loans raised of approximately HK$70.1 million offset by repayment of bank loans of approximately HK$56.5 million.

NET CURRENT ASSETS

The following table sets out details of the current assets and liabilities as at the dates indicated:

	As at 31 March		As at 30 November	As at 31 March
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Current assets				
Inventories	34,954	14,243	20,015	7,137
Trade and bills receivables	9,799	25,956	39,243	8,008
Other receivables, prepayments and deposits	1,424	9,976	11,080	6,961
Amounts due from related parties	—	5,229	—	—
Tax recoverable	473	—	—	—
Pledged bank deposit	6,667	6,000	6,010	6,011
Bank balances and cash	29,223	20,844	47,558	38,503
	82,540	82,248	123,906	66,620
Current liabilities				
Trade and other payables	43,941	44,996	65,767	18,276
Amounts due to related parties	9,444	9,295	9,296	—
Tax payables	326	991	3,410	3,767
Bank borrowing — due within one year	35,477	8,900	22,520	20,333
Obligation under a finance lease	—	—	114	116
	89,188	64,182	101,107	42,492
Net current (liabilities) assets	(6,648)	18,066	22,799	24,128

The Group recorded net current liabilities of approximately HK$6.6 million and net current assets of approximately HK$18.1 million as of 31 March 2015 and 2016, respectively. This was mainly due to the decrease in current liabilities from approximately HK$89.2 million as at 31 March 2015 to approximately HK$64.2 million as at 31 March 2016, which was in turn primarily attributable to the reduction in bank borrowing from approximately HK$35.5 million as at 31 March 2015 to approximately HK$8.9 million as at 31 March 2016. The current assets were approximately HK$82.5 million and approximately HK$82.2 million as at 31 March 2015 and 31 March 2016 respectively.

The Group's net current liability position as at 31 March 2015 was mainly due to the outstanding bank borrowings and amount due to related parties, which amounted to approximately HK$44.9 million. As at 31 March 2015, the outstanding bank borrowings amounted to approximately HK$35.5 million. Other than used for financing the Group's daily operations, approximately HK$7.7 million and HK$6.1 million were used for mortgage loans of Eldex Properties and Gemstar Property, respectively. Upon completion of Business Transfers, these mortgage loans were not transferred to the Group and excluded from its financial statements. For details of the business transfers, please refer to the section headed "History, Reorganisation and Corporate Structure — Business and corporate development" in this prospectus. After excluding the mortgage loans, bank borrowings due within one year have been reduced, and the Group has a net current asset of approximately HK$18.1 million as at 31 March 2016.

The Group's net current assets increased during the eight months ended 30 November 2016. The Group's net current assets position increased from approximately HK$18.1 million as at 31 March 2016 to approximately HK$22.8 million as at 30 November 2016, which was primarily as a result of (i) an increase in bank balances and cash of approximately HK$26.8 million; and (ii) an increase in trade and bills receivables of approximately HK$13.2 million. These amounts were partially offset by (i) an increase in trade and other payables of approximately HK$20.8 million; and (ii) an increase in bank borrowing due within one year of approximately HK$13.6 million.

Further discussion of the fluctuation in the key components of the Group's net current assets is set forth in the paragraphs below.

INVENTORY ANALYSIS

The following table sets out the inventory balance by status as at the end of each of the Track Record Period:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	14,950	9,562	5,240
Work in progress	20,004	4,681	14,775
	34,954	14,243	20,015

The Group's inventories consisted of raw materials and work in progress. The Group's major raw materials are yarn, which are mainly blended with different materials. Work in progress represented semi-finished products allocated to the third-party manufacturers which are currently under production. The Group's inventories decreased by approximately 59.4% or HK$20.8 million, from approximately HK$35.0 million as at 31 March 2015 to approximately HK$14.2 million as at 31 March 2016, primarily because of (i) the continuous usage of the existing inventory stock; and (ii) the decrease in work in progress due to the increase in demand for the third party manufacturers to source and procure raw materials for production from the Group. Approximately 68.1% of the inventories as at 31 March 2016 were subsequently used or sold as at 30 November 2016. The inventory balance increased from HK$14.2 million as at 31 March 2016 to HK$20.0 million as at 30 November 2016. Due to the effect of seasonality, the Group generally recorded a relatively higher inventory balance in November than in March to cope with the peak season from August to January.

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

	Year ended 31 March		Eight months ended 30 November
	2015	2016	2016
Average inventory turnover days	43	24	16

Note: The average inventory turnover days are calculated by dividing the average inventory by cost of sales for the year/period, multiplying by the number of days of the year/period (i.e. 365 days for the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016).

Ageing analysis of inventories and subsequent usage/sales

The following table set out the inventory aging by category:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Raw materials			
1–90 days	133	2,218	90
91–180 days	930	451	568
Over 180 days	13,887	6,893	4,582
	14,950	9,562	5,240

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Work in progress			
1–90 days	19,763	4,598	14,730
91–180 days	241	83	45
Over 180 days	—	—	—
	20,004	4,681	14,775

The inventory level of raw materials aged within 180 days accounted for approximately HK$1.1 million, HK$2.7 million and HK$0.7 million as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively. The comparatively higher inventory level of raw materials as at 31 March 2016 was primarily attributable to the increase in purchase of raw materials in preparation for the increased sale orders confirmed by certain major customers.

The inventory level of raw materials aged over 180 days mainly comprised various types of yarn that are commonly used for production of knitwear products, materials for production of sample products and leftover materials. As at 31 March 2015, 31 March 2016 and 30 November 2016, the inventory level of raw materials aged over 180 days accounted for approximately HK$13.9 million, HK$6.9 million and HK$4.6 million, respectively. The accumulation of such materials was primarily due to certain bulk purchases of raw materials were made by the Group in light of the relatively low market prices of those raw materials during the year ended 31 March 2015. As at 30 November 2016, approximately 51.3% of raw materials aged over 180 days as at 31 March 2016 were subsequently used. Based on the Directors' management experience in the apparel supply chain industry, it is not uncommon for the services providers to stock up the standard raw materials when the prices are low and this also reduces the risk of potential price increases in the market. It is the Group's strategy to attempt to, if necessary, stock up raw materials that are classic or commonly used when the prices decrease. Given (i) different types of raw materials can be blended to form a new blended yarn and therefore can be used for future production; and (ii) the Group will take into account, amongst others, the costs of different types of raw materials and customers' budget, to determine the prices of its apparel products, the Directors consider that the adoption of this stock-up policy is reasonable in the circumstances and would not have any material adverse impacts on the Group's profit margins. Moreover, given (i) the raw materials to be purchased by the Group are based on the anticipated orders from its customers; (ii) the stock up raw materials are standard materials which are commonly used in productions; (iii) the raw materials are durable in nature which are not considered to be easily worn out; and (iv) the Group adopts first-in-first-out bases in accounting for the Group's inventory, the Directors therefore do not consider that the Group will record any gain or loss in material aspect arising from the Group's inventory management policy.

The Group compares the carrying value of inventories with their respective costs and net realisable value at the end of each financial reporting period to ascertain whether any provision is required to be made. The amount of the loss, if any, is recognised in the cost of sales line item of the statement of profit or loss and other comprehensive income. Although some inventories were slow moving and aged over 180 days as aforementioned, the Directors considered that no provision were necessary because (i) the raw materials are durable in nature which are not considered to be easily worn out; (ii) different types of raw materials can be blended to form a new blended yarn and therefore can be used for production of the Group's products; and (iii) approximately 51.3% of raw materials aged over 180 days as at 31 March 2016 were subsequently used as at 30 November 2016 and the Directors expect that it will be subsequently used. Based on the above, the Group did not make any provisions for the inventories and did not record any impairment in inventories during the Track Record Period. For further information on the Group's inventory management policy, please refer to the section headed "Business — Inventory control" in this prospectus. As at 31 March 2017, approximately 78.8% of the Group's total inventory balances as at 30 November 2016 were subsequently used or sold.

TRADE AND BILLS RECEIVABLES ANALYSIS

The trade and bills receivables mainly represented receivables from customers of the Group's apparel supply chain management services. As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group's trade and bills receivables amounted to approximately HK$9.8 million, HK$26.0 million and HK$39.2 million, respectively.

The ageing analysis of trade and bills receivables, based on the invoice date, as at the end of each of the Track Record Period is as follow:

	As at 31 March		As at 30 November
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
1 to 30 days	8,773	22,379	36,253
31 to 60 days	229	2,101	1,237
61 to 90 days	176	1,334	1,210
Over 90 days	621	142	543
	9,799	25,956	39,243

As at 31 March 2017, approximately 98.2% of the trade and bills receivables as at 30 November 2016 have been subsequently settled.

The Group normally requires the customers to settle in full upon the delivery of goods. For other customers, the Group generally grants a credit period of no longer than 90 days to its major customers based on factors such as years of business relationship with the customers and their reputation and payment history. The following table sets out the Group's trade and bills receivables turnover days during the Track Record Period:

	Year ended 31 March		Eight months ended 30 November
	2015	**2016**	**2016**
Trade receivables turnover days	8	15	25

The trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016). The Group's trade receivables turnover days were approximately 8 days, 15 days and 25 days for the two years ended 31 March 2016 and the eight months ended 30 November 2016 respectively, which were in line with the credit terms, i.e. letter of credit at sight, the Group usually offered to its customers.

During the Track Record Period, the Group did not experience any material payment defaults from its customers. No allowance for bad and doubtful debt was provided during the Track Record Period and no balance of provision for bad and doubtful debt has been recognised as at the end of each of the Track Record Period.

OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The following table sets out the other receivables, prepayment and deposits as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Prepayments to subcontractors/ suppliers	211	8,387	6,567
Utility deposits	232	181	138
Other receivables	893	435	890
Other prepayments (including deferred Listing expenses)	88	973	3,485
	1,424	9,976	11,080

The Group's other receivables, prepayments and deposits increased from approximately HK$1.4 million as at 31 March 2015 to approximately HK$10.0 million as at 31 March 2016. This was mainly attributable to (i) the increase in prepayments to subcontractors/suppliers from approximately HK$0.2 million as at 31 March 2015 to approximately HK$8.4 million as at 31 March 2016, as a result of the increase in prepayments for raw materials and the increase in purchase orders whereby the subcontractors required more deposits; and (ii) the increase in other prepayments from approximately HK$0.1 million as at 31 March 2015 to approximately HK$1.0 million as at 31 March 2016, which was mainly due to the increase in the deferred Listing expenses from nil as at 31 March 2015 to approximately HK$0.9 million as at 31 March 2016.

The Group's other receivables, prepayments and deposits further increased from approximately HK$10.0 million as at 31 March 2016 to approximately HK$11.1 million as at 30 November 2016. This was mainly attributable to the increase in other prepayments from approximately HK$1.0 million as at 31 March 2016 to approximately HK$3.5 million as at 30 November 2016, which was mainly due to the increase in the deferred Listing expenses from approximately HK$0.9 million as at 31 March 2016 to approximately HK$2.9 million as at 30 November 2016.

PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposit of the Group have been pledged to secure banking facilities granted to the Group. The pledged bank deposit carry fixed interest rates which range from 2.65% to 3.1%, at 0.3% and at 0.1% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively. As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had bank balances and cash equivalent of approximately HK$29.2 million, HK$20.8 million and HK$47.6 million, respectively. Bank balances carried interest at prevailing market rates ranging from 0.01% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively.

During the Track Record Period, purchase with certain suppliers were paid by and sales proceeds from certain customers were collected in the PRC through one bank account opened under the name of Mr. Ng. Approximately HK$833,000 and HK$986,000 of this personal bank account was included in the cash and cash equivalents of the Group as at 31 March 2015 and 2016, respectively. The relevant individual personal bank account had been closed on 28 June 2016. For further details, please refer to the relevant section headed “Business — Risk management and internal control” in this prospectus.

TRADE AND OTHER PAYABLES ANALYSIS

The Group’s trade and other payables represent payables to the third-party manufacturers and raw material suppliers, accrued subcontracting charges, staff costs and expenses, deposits received and other payables. The following table sets out the trade and other payables as at the end of each of the Track Record Period:

	As at 31 March		As at 30 November
	2015	**2016**	**2016**
	HK$’000	*HK$’000*	*HK$’000*
Trade payables	40,619	28,419	48,984
Accrued subcontracting charges	2,779	11,790	5,534
Accrued staff costs	141	503	1,732
Accrued expenses	357	778	6,102
Deposits received	45	916	38
Other payables	—	2,590	3,377
	43,941	44,996	65,767

The trade and other payables increased by approximately HK$1.1 million or approximately 2.5%, from approximately HK$43.9 million as at 31 March 2015 to approximately HK$45.0 million as at 31 March 2016. Such increase was mainly attributable to (i) an increase in accrued subcontracting charges of approximately HK$9.0 million; (ii) an increase in other payables of approximately HK$2.6 million; (iii) an increase in accrued staff costs and accrued expenses of approximately HK$0.4 million and approximately HK$0.4 million respectively; and partially offset by (iv) a decrease in trade payables of approximately HK$12.2 million, due to the increase in purchase orders, whereby the subcontractors required more deposits to be paid by the Group.

The trade and other payables increased by approximately HK$20.8 million or approximately 46.2%, from approximately HK$45.0 million as at 31 March 2016 to approximately HK$65.8 million as at 30 November 2016. Such increase was mainly attributable to the increase in trade payables of approximately HK$20.6 million, due to the increase in production orders to the third-party manufacturers and purchase orders to the raw material suppliers during the peak season.

The credit period on purchase of goods ranged from 30 days to 45 days.

The ageing analysis of trade payables, based on the invoice date, as at the end of each of the Track Record Period is as follow:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
1 to 30 days	17,428	25,748	46,098
31 to 60 days	18,421	1,431	2,156
61 to 90 days	3,097	504	597
Over 90 days	1,673	736	133
	40,619	28,419	48,984

As at 31 March 2017, approximately 99.6% of the trade payables as at 30 November 2016 have been subsequently settled.

The following table sets out the Group's trade payables turnover days during the Track Record Period:

	Year ended 31 March		Eight months ended
	2015	2016	30 November 2016
Average trade payables turnover days	40	34	35

The trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 March 2016 and 243 days for the eight months ended 30 November 2016). The Group's trade payables turnover days were approximately 40 days, 34 days and 35 days for the two years ended 31 March 2016 and the eight months ended 30 November 2016 respectively, which were in line with the usual credit period of 30 to 45 days generally allowed by the suppliers.

AMOUNTS DUE FROM/TO RELATED PARTIES

The following table sets forth the amounts due from related parties during the Track Record Period:

	As at 31 March		As at 30 November	Maximum amount outstanding during the year ended 31 March		Maximum amount outstanding during the eight months ended 30 November
	2015	2016	2016	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Speed Apparel	—	3,439	—	—	16,630	3,439
Firenze Apparel	—	1,790	—	—	17,035	1,790
	—	5,229	—			

As at 31 March 2015, 31 March 2016 and 30 November 2016, amounts due from related parties amounted to nil, approximately HK$5.2 million and nil, respectively. Such amounts represented the trade debt balances from customers of the Group received by Speed Apparel and Firenze Apparel on the Group's behalf for sales made prior to the Business Transfers on 1 February 2016. The sales invoices of the relevant sales were issued in the names of Speed Apparel or Firenze Apparel prior to the Business Transfers. The relevant debtors therefore settled the trade debts to the designated bank accounts of Speed Apparel or Firenze Apparel, and the amounts were not transferred to the Group upon the Business Transfers. Such trade debts collected by Speed Apparel or Firenze Apparel on the Group's behalf were transferred back to the Group within few business days upon receipts. The relevant cash flows of these collection of trade debts from the Group's customers were presented as operating cash flows in the consolidated statements of cash flows as the management considered the cash flows are, in substance, the receipts from trade customers. The amounts due from related parties were interest-free, unsecured and repayable on demand as at 31 March 2016. Such amounts due from related parties has subsequently been settled before the Listing.

The following table sets forth the amounts due to related parties during the Track Record Period:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Dream Knit Company Limited ("**Dream Knit**")	118	—	—
Mr. Chan	9,326	9,295	9,296
	9,444	9,295	9,296

Dream Knit was a company incorporated in Hong Kong with limited liabilities on 12 October 2012. At the time of its incorporation, the entire issued share capital of Dream Knit was owned by Mr. Chan. Dream Knit had not carried out any business for the period ended 31 March 2013. On 7 June 2013, Mr. Chan transferred 5,000 shares of Dream Knit (representing 50% of the entire issued share of Dream Knit) to Mr. Ito Shunji ("Mr. Ito"), an Independent Third Party. After the completion of the aforesaid share transfer, the issued share capital of Dream Knit was owned as to 50% by Mr. Chan and 50% by Mr. Ito. As advised by Mr. Chan, Mr. Ito has over years of experience in and is familiar with the Japanese apparel market. Mr. Chan believed that by leveraging on Mr. Ito's business network and experience in the Japanese appeal market, new customers and potential business opportunities would be brought along by Mr. Ito to the Group.

For each of the two years ended 31 March 2016, the Group's sales to the new customers which were introduced by Dream Knit through the business network of Mr. Ito amounted to approximately HK$8.7 million and HK$2.4 million, respectively, while the Group paid the commission to Dream Knit for its services of approximately HK$474,000 and HK$153,000, respectively. According to the audited accounts prepared by the auditors of Dream Knit, Dream Knit recorded a revenue amounted to approximately HK$627,000 for the period from 1 April 2014 to 31 August 2015. Owing to the fact that (i) those new customers subsequently dealt with the Group directly without going through Dream Knit; and (ii) as advised by Mr. Chan, Mr. Ito would like to devote more time to his other business and personal commitments, Mr. Ito transferred all of his shares in Dream Knit to Mr. Chan on 19 March 2015 and Dream Knit had ceased to operate its business from 31 August 2015. After the completion of the aforesaid share transfer and up to the date of its deregistration, Dream Knit was 100% controlled by Mr. Chan.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the amounts due to Dream Knit amounted to approximately HK$118,000, nil and nil, respectively. Such amounts was related to the commission paid to Dream Knit for its services such as exploring and referring further business opportunities in the Japan market to the Group. Dream Knit applied for the deregistration and Inland Revenue Department of Hong Kong had issued a no objection letter for the deregistration of Dream Knit on 15 January 2016. The amounts due to Dream Knit had been fully settled and Dream Knit was dissolved by deregistration on 3 June 2016. The Directors further confirm that Dream Knit has no material liabilities upon its deregistration and there was no potential claim and threatened litigation against Dream Knit as at the Latest Practicable Date.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the amounts due to Mr. Chan amounted to approximately HK$9.3 million, approximately HK$9.3 million and approximately HK$9.3 million, respectively. Such amounts due to Mr. Chan are non-trade related, unsecured, interest-free, repayable on demand and denominated in HK$. The Directors confirmed that the outstanding balance of such amounts has been settled prior to the Listing.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

		For the year ended/As at 31 March		For the eight months ended/ As at 30 November
	Notes	2015	2016	2016
Return on total assets	*1*	8.3%	14.9%	3.8%
Return on equity	*2*	27.9%	64.4%	20.0%
Current ratio	*3*	0.9	1.3	1.2
Quick ratio	*4*	0.5	1.1	1.0
Gearing ratio	*5*	1.2	0.9	1.3
Net gearing ratio	*6*	0.2	—	—
Net profit margin	*7*	2.6%	2.9%	1.6%

Notes:

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period.

2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective reporting date.

4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the respective reporting date.

5. Gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date.

6. Net gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) less bank balances and cash and pledged bank deposit divided by total equity at the respective reporting date.

7. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period.

Key financial ratios

Return on total assets

The Group's return on total assets increased from approximately 8.3% in 2015 to approximately 14.9% in 2016. The increase in return on total assets from 2015 to 2016 was attributable to (i) the increase in profit from approximately HK$10.5 million for the year ended 31 March 2015 to approximately HK$12.5 million for the year ended 31 March 2016 which represented an increase of approximately 19.0%; and (ii) the decrease in total assets from approximately HK$126.9 million as at 31 March 2015 to approximately HK$83.6 million as at 31 March 2016. The increase in profit was primarily resulted from (i) the increase in revenue from approximately HK$398.0 million to approximately HK$435.2 million, which is in turn due to the increase in sales quantity of the knitwear products; and (ii) the decrease in selling and distribution expenses from HK$26.5 million to HK$22.5 million.

For the eight months ended 30 November 2016, the Group recorded return on total assets of approximately 3.8% primarily reflecting less profit recorded for such period and the Directors consider that eight months period financial results were not comparable to that of the full year.

Return on equity

The return on equity increased from approximately 27.9% in 2015 to approximately 64.4% in 2016. The increase in return on equity from 2015 to 2016 was attributable to (i) the decrease in equity from approximately HK$37.7 million as at 31 March 2015 to approximately HK$19.4 million as at 31 March 2016; and (ii) the increase in profit from approximately HK$10.5 million for the year ended 31 March 2015 to approximately HK$12.5 million for the year ended 31 March 2016 due to the aforementioned reasons.

For the eight months ended 30 November 2016, the Group recorded return on equity of approximately 20.0% primarily reflecting less profit recorded for such period as compared to a full year. The Directors consider that the eight months period financial results were not comparable to that of the full year.

Current ratio

The current ratio increased from approximately 0.9 times as at 31 March 2015 to approximately 1.3 times as at 31 March 2016. The increase was mainly attributable to the decrease in current liabilities from approximately HK$89.2 million as at 31 March 2015 to approximately HK$64.2 million as at 31 March 2016, which was in turn primarily resulted from the reduction in bank borrowing from approximately HK$35.5 million as at 31 March 2015 to approximately HK$8.9 million as at 31 March 2016. The Group recorded current assets of approximately HK$82.5 million and approximately HK$82.2 million as at 31 March 2015 and 2016 respectively.

The Group's current ratio declined from approximately 1.3 as at 31 March 2016 to approximately 1.2 as at 30 November 2016. The slight decrease in current ratio was due to the proportionately larger increase in current liabilities than current assets, mainly as a result of the increase in bank borrowings due within one year for settlement of the prepayments for raw materials and subcontracting charges during the peak season.

Quick ratio

The Group's quick ratio increased from approximately 0.5 times as at 31 March 2015 to approximately 1.1 times as at 31 March 2016, which was mainly attributable to the decrease in inventory from approximately HK$35.0 million as at 31 March 2015 to approximately HK$14.2 million as at 31 March 2016 and the decrease in current liabilities from approximately HK$89.2 million in the year ended 31 March 2015 to approximately HK$64.2 million in the year ended 31 March 2016, while the current assets were at approximately HK$82.5 million and approximately HK$82.2 million as at 31 March 2015 and 2016 respectively.

The quick ratio declined from approximately 1.1 as at 31 March 2016 to approximately 1.0 as at 30 November 2016. The decrease in the quick ratio was in line with the current ratio as disclosed above.

Gearing ratio

The Group's gearing ratio was approximately 1.2 times and approximately 0.9 times as at 31 March 2015 and 31 March 2016, respectively. The decrease in gearing ratio was primarily attributable to the decrease in bank borrowings from approximately HK$35.5 million as at 31 March 2015 to approximately HK$8.9 million as at 31 March 2016, which was partially offset by the decrease in total equity from approximately HK$37.7 million as at 31 March 2015 to approximately HK$19.4 million as at 31 March 2016.

The Group recorded gearing ratio of approximately 1.3 as at 30 November 2016. The increase in gearing ratio from approximately 0.9 as at 31 March 2016 to approximately 1.3 as at 30 November 2016 was mainly due to the increase in bank borrowings due within one year of approximately HK$13.6 million from 31 March 2016 to 30 November 2016, which was mainly due to more finance obtained from banks for settlement of the prepayments for raw materials and subcontracting charges during the peak season.

Net gearing ratio

The net gearing ratio was approximately 0.2 times and nil as at 31 March 2015 and 2016 respectively. Such decrease in net gearing ratio was mainly attributable to the decrease in bank borrowings from approximately HK$35.5 million as at 31 March 2015 to approximately HK$8.9 million as at 31 March 2016. As at 31 March 2016, the Group recorded net cash and therefore the net gearing ratio was nil.

As at 30 November 2016, the Group recorded net cash and therefore the net gearing ratio was nil.

Net profit margin

For the year ended 31 March 2015 and 2016, the net profit margin was approximately 2.6% and 2.9%, respectively. The net profit margin slightly increased from approximately 2.6% in 2015 to approximately 2.9% in 2016, primarily because of the increase in gross profit coupled with the decrease in selling and distribution expenses.

The net profit margin for the eight months ended 30 November 2016 decreased to approximately 1.6% mainly due to expenses in relation to the Listing of approximately HK$7.1 million was recorded for the eight months ended 30 November 2016 while only approximately HK$3.2 million was recorded for the year ended 31 March 2016.

CAPITAL COMMITMENTS

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had no material capital commitments.

OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	1,200	1,200
In the second to fifth year inclusive	—	2,200	1,400
	—	3,400	2,600

Operating lease payments represent rental expense payable by the Group to a related entity controlled by Mr. Chan, as set forth in section (b) of note 24 to Section A of the Accountants' Report in Appendix I to this prospectus, for its office premises. Leases are negotiated for the next three years and rentals are fixed over the relevant lease.

INDEBTEDNESS

The following table sets out the Group's bank borrowings, amount due to a shareholder and obligation under a finance lease as at the respective financial position dates below.

	As at 31 March		As at 30 November	As at 31 March
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*
Bank borrowings — secured and guaranteed	35,477	8,900	22,520	20,333
Amount due to a shareholder — unsecured and unguaranteed	9,326	9,295	9,296	—
Obligation under a finance lease — secured and guaranteed	—	—	538	500
	44,803	18,195	32,354	20,833

The Group's indebtedness consists of bank borrowings, amount due to a shareholder and obligation under a finance lease. The Group's indebtedness positions were at approximately HK$44.8 million, HK$18.2 million, HK$32.4 million and HK$20.8 million respectively as of 31 March 2015 and 2016, 30 November 2016 and 31 March 2017, and were used for financing the Group's daily operations. As at 31 March 2015, the bank borrowings amounted to approximately HK$35.5 million. Other than used for financing the Group's daily operations, approximately HK$7.7 million and HK$6.1 million were used for mortgage loans of Eldex Properties and Gemstar Property, respectively.

As at 31 March 2017, the Group had a total unrestricted banking facilities of approximately HK$92.0 million, of which approximately HK$59.0 million were trust receipt loan and invoice financing loan, and the remaining HK$33.0 million were revolving loan. Out of the total available HK$92.0 million of the aforesaid banking facilities, the Group had utilised a total of HK$12.3 million of trust receipt loan and invoice financing loan and HK$8.0 million of revolving loan. The Group had an unrestricted unutilised banking facilities amounted for approximately HK$71.7 million as at 31 March 2017.

As at 31 March 2017, the Group's bank borrowings and the relevant banking facilities are secured by (i) a property and car parking spaces held by an entity controlled by Mr. Chan, and (ii) a property held by Mr. Chan and Ms. Cheung. The Group's bank borrowings and the relevant banking facilities are guaranteed by corporate guarantees provided by Speed Apparel Limited and Firenze Apparel Limited, and personal guarantee provided by Mr. Chan. These guarantees and charges over assets will be released or replaced by the corporate guarantees executed by the Company upon the Listing.

As at 31 March 2017, the Group's another banking facility which is undrawn is secured by (i) a pledged bank deposit of the Group, and (ii) properties held by an entity controlled by Mr. Chan. Such banking facility is guaranteed by corporate guarantee provided by Speed Apparel Limited and personal guarantee provided by Mr. Chan. These guarantees and charges over assets (except for the pledged bank deposit of the Group) will be released or replaced by the corporate guarantees executed by the Company upon the Listing.

The Group intends to repay any outstanding bank borrowings primarily by the internal resources generated from its operating activities. The Directors confirm that the Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	As at 31 March		As at 30 November	As at 31 March
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreement:				
Within one year	24,834	8,900	22,520	20,333
More than one year, but not more than two years	3,212	—	—	—
More than two years, but not more than five years	7,044	—	—	—
More than five years	387	—	—	—
	35,477	8,900	22,520	20,333
Analysed as:				
Amounts due within one year shown under current liabilities and contain a repayment on demand clause	24,834	8,900	22,520	20,333
Amounts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	10,643	—	—	—
	35,477	8,900	22,520	20,333
Less: amounts shown under current liabilities	(35,477)	(8,900)	(22,520)	(20,333)
	—	—	—	—

The entire balances of the Group's bank borrowings are secured, guaranteed and carried variable rate of interest. The floating-rate bank borrowings carry interests at premiums over or discounts to Hong Kong Interbank Offered Rate ("**HIBOR**") or Prime Rates quoted by certain banks in Hong Kong. The effective interest rate on bank borrowings is ranging from 1.71% to 5.5% per annum, at 2.27% per annum, ranging from 2.08% to 2.61% per annum and ranging from 2.46% to 2.75% per annum as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017, respectively.

Obligation under a finance lease

As at 31 March 2015 and 31 March 2016, the Group did not have any obligation under a finance lease.

As at 30 November 2016 and 31 March 2017, the Group had an obligation under a finance lease of approximately HK$0.5 million and HK$0.5 million, respectively. The Group's obligation under a finance lease was secured by the lessor's title to the leased asset and is personally guaranteed by Ms. Cheung.

Contingent liabilities

As at 31 March 2017, the Group did not have any significant contingent liabilities.

Disclaimer

The Directors confirmed that (i) the Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group's indebtedness and contingent liabilities since 31 March 2017 and up to the Latest Practicable Date; (iii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans and bank facility is subject to standard banking conditions and not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt on equity financings; and (v) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group's bank borrowings are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings.

Save as disclosed above, the Group did not have, at the close of business on 31 March 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or any material contingent liabilities.

LISTING EXPENSES

The Group expects that its total Listing expenses, which is non-recurring in nature, will be amounted to approximately HK$25.6 million. Out of the total HK$25.6 million in Listing expenses, the Group has recorded approximately HK$3.2 million as expense in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2016 and approximately HK$7.1 million for the eight months ended 30 November 2016. The Group expects to further recognise approximately HK$4.0 million for the remaining four months of the year ended 31 March 2017 and approximately HK$1.5 million for the year ending 31 March 2018. For the remaining balance of approximately HK$9.8 million, which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial results of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 will be significantly be affected by the estimated expenses in relation to the Listing, respectively. Such amount of Listing expenses are for reference only and the final amount to be charged to the profit and loss account of the Group for the year ended 31 March 2017 and the year ending 31 March 2018 and the amount to be deducted from the Group's capital is subject to change.

NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 November 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 30 November 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources generated from the Group's business operation, available banking facilities and other source of finance, and the estimated net proceeds from the Share Offer, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

The Company was incorporated on 19 November 2015. As at 30 November 2016, the Company had no distributable reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed "Related party transactions" in section (b) of note 24 to Section A of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade and bills receivables, other receivables, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease of the Group and the Company and amounts due to subsidiaries of the Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

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

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

	As at 31 March		As at 30 November
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
HK$	22,747	27,224	38,404
RMB	10,034	5,160	5,655
Liabilities			
HK$	56,621	27,434	36,204
RMB	370	—	11,058

Since HK$ is pegged to US$, the risk of volatility between US$ and HK$ is limited and the Directors consider that the risk is minimal. Accordingly, no sensitivity analysis for the currency risk of HK$ is presented.

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of RMB during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ as at 31 March 2015, 31 March 2016 and 30 November 2016. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year/period end for a 5% change in foreign currency rates as at 31 March 2015, 31 March 2016 and 30 November 2016. A positive number below indicates an increase in post-tax profit/a decrease in post-tax loss where RMB strengthens 5% against US$ for each of the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016. For a 5% weakening of RMB against US$, there would be an equal and opposite impact on post-tax profit or loss.

	As at 31 March		Eight months ended
	2015	**2016**	**30 November 2016**
	HK$'000	*HK$'000*	*HK$'000*
Impact on post-tax profit or loss of the Group	403	215	(226)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposit and obligation under a finance lease. The Group and the Company are also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR, the Best Lending Rate and the Prime Rates quoted by certain banks in Hong Kong.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the paragraph headed "Liquidity risk" below.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year/period. A 100 basis points and 10 basis points increase or decrease in the floating-rate interest bearing financial liabilities and financial assets respectively, are used and represent management's assessment of the reasonably possible change in interest rates for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016.

If interest rates on floating-rate interest-bearing financial liabilities had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2015 and 31 March 2016 and the eight months ended 30 November 2016 would decrease/increase by HK$296,000, HK$74,000 and HK$125,000.

For the floating-rate interest-bearing financial assets, based on the sensitivity analysis, the directors of the Company consider that the impact on post-tax profit or loss from changes in interest rates is significant for the Track Record Period.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade and bills receivables and amounts due from related parties. 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 debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on its pledged bank deposit and bank balance as the entire balances as at 31 March 2015, 31 March 2016 and 30 November 2016 are deposited with three banks. The credit risk of the Group on pledged bank deposit and bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group had concentration of credit risk as 53%, 56% and 44%, respectively, of the total trade receivables and bills receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 93%, 91% and 74% of the total trade receivables and bills receivables as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively. The Group normally grants a credit term of no longer than 90 days to these customers. All of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan arising from the Group's trading of garment business. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

As at 31 March 2015

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2015
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade payables	N/A	—	40,619	—	—	40,619	40,619
Amounts due to related parties	N/A	9,444	—	—	—	9,444	9,444
Bank borrowings — variable rate	3.48	35,477	—	—	—	35,477	35,477
		44,921	40,619	—	—	85,540	85,540

As at 31 March 2016

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	N/A	2,590	28,419	—	—	31,009	31,009
Amount due to a related party	N/A	9,295	—	—	—	9,295	9,295
Bank borrowings — variable rate	2.27	8,900	—			8,900	8,900
		20,785	28,419	—	—	49,204	49,204

As at 30 November 2016

The Group

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	N/A	3,377	48,984	—	—	52,361	52,361
Amount due to a related party	N/A	9,296	—	—	—	9,296	9,296
Bank borrowings — variable rate	2.42	22,520	—	—	—	22,520	22,520
Obligation under a finance lease	1.99	11	23	104	458	596	538
		35,204	49,007	104	458	84,773	84,715

As at 31 March 2016

The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Other payable	N/A	1	—	—	—	1	1
Amounts due to subsidiaries	N/A	4,175	—	—	—	4,175	4,175
		4,176	—	—	—	4,176	4,176

As at 30 November 2016

The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Over 3 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liability							
Amounts due to subsidiaries	N/A	9,850	—	—	—	9,850	9,850

Bank borrowings with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 31 March 2015, 31 March 2016 and 30 November 2016, the aggregate carrying amounts of these bank borrowings were HK$35,477,000, HK$8,900,000 and HK$22,520,000, respectively.

Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$36,344,000, HK$8,967,000 and HK$22,594,000 as at 31 March 2015, 31 March 2016 and 30 November 2016, respectively, as set out below:

As at 31 March 2015

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2015
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings								
— variable rate	3.48	22,054	567	2,551	10,791	381	36,344	35,477

As at 31 March 2016

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings								
— variable rate	2.27	17	34	8,916	—	—	8,967	8,900

As at 30 November 2016

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 30 November 2016
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings								
— variable rate	2.42	8,046	14,548	—	—	—	22,594	22,520

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

DIVIDENDS

Firenze Apparel distributed interim dividends amounting to HK$7.0 million for the year ended 31 March 2015 to Mr. Chan prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- the Group's financial results;
- the Group's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 30 November 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 November 2016 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 November 2016 is prepared based on the audited consolidated net assets of the Group as at 30 November 2016 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 30 November 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Offer Price of HK$0.40 per Offer Share	24,130	35,882	60,012	0.12
Based on Offer Price of HK$0.64 per Offer Share	24,130	63,482	87,612	0.18

Notes:

1. The audited consolidated net tangible assets of the Group as at 30 November 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares to be issued at Offer Price of HK$0.40 and HK$0.64 per Offer Share, being the low-end and high-end of the indicated Offer Price range, respectively after deduction of the estimated underwriting fees and other Share Offer related expense (excluding approximately HK$10,262,000 listing expenses accounted for prior to 30 November 2016) incurred or to be incurred by the Group. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016 per Share is arrived at after adjustments referred to in the preceding paragraph and on the basis of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 30 November 2016. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme" or "General mandate to issue Shares" or "General mandate to repurchase Shares" with details set out under the section headed "Share capital" in this prospectus, as the case may be.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 30 November 2016 to reflect any trading result or other transactions of the Group entered into subsequent to 30 November 2016.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated consolidated profit attributable to owner of the Company *(Note 1)* . . . . not less than HK$5.4 million

Unaudited pro forma estimated earnings per Share for the year ended 31 March 2017 *(Note 2)* . . . . not less than HK$0.01

Notes:

1. The bases on which the above profit estimate has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 based on the audited consolidated results of the Group for the eight months ended 30 November 2016, the unaudited consolidated results based on management accounts of the Group for three months ended 28 February 2017 and an estimate of the consolidated results of the Group for the remaining one month ended 31 March 2017.

2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owner of the Company for the year ended 31 March 2017 and on the assumption that a total of 500,000,000 shares, of which 125,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 1 April 2016, without taking into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.