THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in QPL International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of QPL International Holdings Limited.

QPL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 243)

(1) MAJOR TRANSACTION IN RELATION TO VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFERS BY QPL INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF L&A INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY QPL INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY QPL INTERNATIONAL HOLDINGS LIMITED AND TO CANCEL ALL OF THE OUTSTANDING OPTIONS OF L&A INTERNATIONAL HOLDINGS LIMITED; (2) SPECIFIC MANDATE TO ISSUE NEW QPL SHARES; (3) RE-ELECTION OF DIRECTORS; AND (4) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of QPL International Holdings Limited to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 9 December 2016 at 11:00 a.m. is set out on pages 129 to 131 of this circular. A form of proxy for use at the special general meeting is also enclosed.

Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjournment thereof in person should you so wish.

18 November 2016

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

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement"	the announcement of the Company dated 14 October 2016 in relation to, among other things, the Offers
"associate(s)"	has the meaning ascribed to it in the Takeovers Code
"BaoQiao Partners"	BaoQiao Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to QPL in respect of the Offers
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Closing Date"	the date to be stated in the Offer Document as the closing date of the Offers or any subsequent closing date as may be determined and announced by QPL, with the consent of the Executive, in accordance with the Takeovers Code
"Company" or "QPL"	QPL International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 243)
"Conditions"	the conditions precedent to the Offers as set out in the section headed "Conditions to the Offers" in the "Letter from the Board" of this circular
"connected person(s)"	has the meaning ascribed to it under Chapter 14A of the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	QPL Group and L&A Group
"Enma Holdings"	Enma Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of QPL as at the Latest Practicable Date

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Hong Kong"	The Hong Kong Special Administrative Special Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"L&A"	L&A International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8195)
"L&A Group"	L&A and its subsidiaries
"L&A Independent Shareholder(s)"	the L&A Shareholder(s) (other than QPL and parties acting in concert with it (including Enma Holdings))
"L&A Option(s)"	the outstanding 200,000,000 share options granted by L&A pursuant to the L&A Share Option Scheme
"L&A Optionholder(s)"	holder(s) of the L&A Options
"L&A Share Option Scheme"	the share option scheme of L&A adopted by L&A pursuant to an ordinary resolution of the L&A Shareholders passed on 25 September 2014
"L&A Share(s)"	ordinary share(s) of HK$0.002 each in the share capital of L&A
"L&A Shareholder(s)"	holder(s) of the L&A Share(s)
"Last Trading Day"	7 October 2016, being the last trading day immediately prior to the trading halt in the QPL Shares and/or the L&A Shares pending the release of the Announcement
"Latest Practicable Date"	16 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Limited Voting Preference Share(s)"	redeemable preference share(s) of par value of HK$0.02 each in the authorised share capital of QPL
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	the 60th day after the date of the posting of the Offer Document or such later date to which the Executive may consent

"Major Transaction"	the acquisition of the L&A Shares by QPL pursuant to the Offers which constitutes a major transaction of QPL under Chapter 14 of the Listing Rules
"Offer Document"	the offer document to be issued by QPL to all L&A Independent Shareholders and L&A Optionholders in accordance with the Takeovers Code containing, inter alia, details of the Offers, terms and conditions of the Offers and the form(s) of acceptance and transfer in respect of the Offers
"Offers"	the Share Offer and the Option Offer
"Option Offer"	the proposal to be made by QPL in compliance with Rule 13 of the Takeovers Code to cancel all of the outstanding L&A Options in accordance with the terms and conditions set out in this circular
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"QPL Group"	QPL and its subsidiaries
"QPL Option(s)"	share option(s) granted by QPL pursuant to the QPL Share Option Scheme
"QPL SGM"	the special general meeting to be convened by QPL to consider, and, if thought fit, approve, among other things, the Major Transaction and the grant of the Specific Mandate, as well as the proposed re-election of the retiring Directors
"QPL Share Option Scheme"	the share option scheme of QPL adopted by QPL pursuant to an ordinary resolution of the QPL Shareholders passed on 15 September 2015
"QPL Share(s)"	ordinary share(s) of par value of HK$0.08 each in the authorised share capital of QPL
"QPL Shareholder(s)"	holder(s) of the QPL Share(s)
"Relevant Authority(ies)"	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the voluntary conditional share exchange offer to be made by QPL to acquire all of the issued shares in the share capital of L&A (other than those already owned by QPL and parties acting in concert with it) in accordance with the terms and conditions set out in this circular
"Specific Mandate"	the specific mandate for the allotment and issue, credited as fully paid, of new QPL Shares in settlement of the consideration of the Offers to be issued to the L&A Independent Shareholders and the L&A Optionholders who accept the Offers, the details of which are set out in the section headed "Specific Mandate" in the "Letter from the Board" of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers of Hong Kong
"Unconditional Date"	the date on which the Offers become or are declared unconditional in all respects
"%"	per cent.

* *In this circular, the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

QPL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 243)

Executive Directors:
Mr. Li Tung Lok
Mr. Phen Hoi Ping, Patrick
Mr. Wong Ka Lok, Andrew
Ms. Tung Siu Ching

Non-executive Director:
Mr. Wong Wai Man

Independent Non-executive Directors:
Mr. Yau Chi Hang
Mr. Chu Chun On, Franco
Ms. Chung Hoi Yan

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
8th Floor, Hale Weal Industrial Building
22-28 Tai Chung Road
Tsuen Wan, New Territories
Hong Kong

18 November 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFERS BY QPL INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF L&A INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY QPL INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) IN EXCHANGE FOR NEW SHARES TO BE ISSUED BY QPL INTERNATIONAL HOLDINGS LIMITED AND TO CANCEL ALL OF THE OUTSTANDING OPTIONS OF L&A INTERNATIONAL HOLDINGS LIMITED; (2) SPECIFIC MANDATE TO ISSUE NEW QPL SHARES; (3) RE-ELECTION OF DIRECTORS; AND (4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to (i) the Announcement in relation to, among other things, the Offers, the Major Transaction and the grant of the Specific Mandate; and (ii) the announcement of QPL dated 4

November 2016 in relation to, among other things, the delay in despatch of the circular in respect of the Major Transaction. The purpose of this circular is to provide you with (i) information regarding the Major Transaction and the grant of the Specific Mandate to allot and issue new QPL Shares pursuant to the Offers; (ii) details of the proposed re-election of the retiring Directors; and (iii) notice of QPL SGM.

THE POSSIBLE OFFERS AND THE MAJOR TRANSACTION

On 14 October 2016, QPL announced that on 7 October 2016, QPL proposed to the board of directors of L&A that it would make voluntary conditional share exchange offers to (i) acquire all of the issued shares in the share capital of L&A (other than those already owned by QPL and parties acting in concert with it); and (ii) cancel all of the outstanding L&A Options. The Offers constitute a major transaction for QPL under Chapter 14 of the Listing Rules and will be made in compliance with the Takeovers Code. BaoQiao Partners is the financial adviser to QPL in respect of the Offers.

On 30 September 2015, QPL acquired 2,760,000 L&A Shares, representing approximately 0.069% of the then issued share capital of L&A, at the total consideration of HK$9,108,000 (equivalent to HK$3.3 per L&A Share) through on-market purchase. As securities trading and investment holding has become one of QPL's principal businesses since September 2015, such L&A Shares were acquired for investment purpose. After the share sub-division of L&A on the basis of 1 share for 5 sub-divided shares on 23 June 2016 and as at the Latest Practicable Date, QPL held 13,800,000 L&A Shares, representing approximately 0.054% of the total issued share capital of L&A.

Save for the 13,800,000 L&A Shares, representing approximately 0.054% of the total issued share capital of L&A as at the Latest Practicable Date, indirectly held by QPL through Enma Holdings, a direct wholly-owned subsidiary of QPL, each of L&A, the L&A Independent Shareholders and the L&A Optionholders and their respective ultimate beneficial owners are third parties independent of QPL and its connected persons.

As at the Latest Practicable Date, based on the publicly-available information, L&A had 25,600,000,000 L&A Shares in issue and 200,000,000 outstanding L&A Options to subscribe for 200,000,000 L&A Shares. The exercise price of the 200,000,000 outstanding L&A Options is HK$0.0256 per L&A Share with the validity period of 10 years from 22 July 2016 (being the date of grant of such L&A Options).

Consideration for the Offers

The Offers will be made in accordance with the Takeovers Code on the following basis:

The Share Offer:

For every 25 existing L&A Shares . . . . 1 new QPL Share

As at the Latest Practicable Date, based on the publicly-available information, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of L&A in issue comprised (i) 25,600,000,000 L&A Shares; and (ii) 200,000,000 outstanding L&A Options to subscribe for 200,000,000 L&A Shares. Save as disclosed above, based on the publicly-available information, L&A had no other outstanding L&A Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into L&A Shares or other types of securities in L&A as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the 13,800,000 L&A Shares, representing approximately 0.054% of the total issued share capital of L&A, indirectly held by QPL through Enma Holdings, a direct wholly-owned subsidiary of QPL, QPL and parties acting in concert with it did not hold any other L&A Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of L&A.

The exchange ratio of 1 new QPL Share for every 25 L&A Shares was determined by QPL based on the prevailing market prices of both the QPL Shares and the L&A Shares taking into account the highest closing price of HK$0.03 per L&A Share for the 5 trading days prior to and including the Last Trading Day.

Save for QPL's indirect interest in the 13,800,000 L&A Shares, neither QPL nor parties acting in concert with it held or had control or discretion over any other L&A Shares or held any convertible securities, warrants or options in respect of any L&A Shares as at the Latest Practicable Date.

The Option Offer:

As the exercise price for the outstanding L&A Options is HK$0.0256, which is lower than the ascribed value of HK$0.03 per L&A Share under the Share Offer, the see-through price of the Option Offer is HK$0.0044 for each outstanding L&A Option, and the Option Offer will be made on the following basis:

For cancellation of every 500 L&A Options .... **3 new QPL Shares**

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Further information on the Option Offer will be set out in the formal document containing details of the Option Offer which will be sent to the L&A Optionholders in accordance with the Takeovers Code. Following acceptance of the Option Offer, the relevant L&A Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the Latest Practicable Date, none of the L&A Independent Shareholders or L&A Optionholders had undertaken or notified QPL of an intention to accept or reject the Offers.

Based on the publicly-available information, save as disclosed above, L&A had no other outstanding L&A Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into L&A Shares or other types of securities in L&A as at the Latest Practicable Date.

Comparisons of value

The ascribed value of HK$0.03 per L&A Share (equivalent to the closing price of each QPL Share of HK$0.75 as quoted on the Stock Exchange on the Last Trading Day divided by 25 for each L&A Share) represents:

(i) a premium of approximately 7.14% over the closing price of L&A Share of HK$0.0280, as quoted on the Stock Exchange on 7 October 2016, being the Last Trading Day;

(ii) a premium of approximately 4.17% over the average closing price of approximately HK$0.0288 per L&A Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 14.77% to the average closing price of approximately HK$0.0352 per L&A Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 27.54% to the average closing price of approximately HK$0.0414 per L&A Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 30.72% to the average closing price of approximately HK$0.0433 per L&A Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 172.73% over the closing price of L&A Share of HK$0.0110, as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a premium of approximately 710.81% over the audited consolidated net assets per L&A Share of approximately HK$0.0037 as at 31 March 2016 (being the date to which the latest audited consolidated annual results of L&A Group were made up), calculated based on L&A Group's audited consolidated net assets attributable to its shareholders of approximately HK$93,762,000 as at 31 March 2016 and 25,600,000,000 existing L&A Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 23.97% over the unaudited consolidated net assets per L&A Share of approximately HK$0.0242 as at 30 September 2016 (being the date to which the latest unaudited consolidated interim results of L&A Group were made up), calculated based on L&A Group's unaudited consolidated net assets attributable to its shareholders of approximately HK$620,214,000 as at 30 September 2016 and 25,600,000,000 existing L&A Shares in issue as at the Latest Practicable Date.

The implied issue price of HK$0.70 per new QPL Share (equivalent to the closing price of HK$0.028 per L&A Share as quoted on the Stock Exchange on the Last Trading Day multiplied by 25 for each new QPL Share) represents:

(i) a discount of approximately 6.67% to the closing price of QPL Share of HK$0.7500, as quoted on the Stock Exchange on 7 October 2016, being the Last Trading Day;

(ii) a discount of approximately 3.85% to the average closing price of approximately HK$0.7280 per QPL Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 0.28% to the average closing price of approximately HK$0.7020 per QPL Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 1.38% over the average closing price of approximately HK$0.6905 per QPL Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 1.05% over the average closing price of approximately HK$0.6927 per QPL Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 18.64% over the closing price of QPL Share of HK$0.5900, as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a premium of approximately 110.91% over the audited consolidated net assets per QPL Share of approximately HK$0.3319 as at 30 April 2016 (being the date to which the latest audited consolidated annual results of QPL Group were made up), calculated based on QPL Group's audited consolidated net assets attributable to its shareholders of approximately HK$748,846,000 as at 30 April 2016 and 2,256,265,322 QPL Shares in issue as at the Latest Practicable Date.

Highest and Lowest Prices of L&A Shares

During the six months immediately preceding the date of the Announcement, and ending on and inclusive of the Latest Practicable Date, the highest closing price of the L&A Shares as quoted on the Stock Exchange was HK$0.662 on 26 April 2016, and the lowest closing price of the L&A Shares as quoted on the Stock Exchange was HK$0.011 on 16 November 2016.

Value of the Offers

As at the Latest Practicable Date, based on the publicly-available information, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of L&A in issue comprised (i) 25,600,000,000 L&A Shares; and (ii) 200,000,000 outstanding L&A Options to subscribe for 200,000,000 L&A Shares. As at the Latest Practicable Date, QPL and parties acting in concert with it held 13,800,000 L&A Shares.

Based on an exchange ratio of (i) 1 new QPL Share for every 25 L&A Shares and 25,586,200,000 L&A Shares which are subject to the Share Offer; and (ii) 3 new QPL Shares for cancellation of every 500 L&A Options and the 200,000,000 L&A Options in issue as at the Latest Practicable Date, and assuming that there will be no change in the issued share capital of L&A since the Latest Practicable Date and up to the Closing Date, and no L&A Option will be exercised prior to the Closing Date, the maximum number of new QPL Shares that may fall to be issued in connection with the Share Offer and the Option Offer is 1,024,648,000 new QPL Shares. This represents approximately 45.41% of the 2,256,265,322 issued QPL Shares as at the Latest Practicable Date, and approximately 31.23% of the issued share capital of QPL of 3,280,913,322 QPL Shares as enlarged only by the issue of the aforesaid number of new QPL Shares.

In the event that all outstanding L&A Options are exercised before the Closing Date, L&A will have to issue 200,000,000 new additional L&A Shares. Assuming that the Share Offer is accepted in full (including all new L&A Shares issued and allotted as a result of the exercise of the L&A Options), the maximum number of new QPL Shares that may fall to be issued in connection with the Share Offer is 1,031,448,000 new QPL Shares. This represents approximately 45.71% of the 2,256,265,322 issued QPL Shares as at the Latest Practicable Date, and approximately 31.37% of the issued share capital of QPL of 3,287,713,322 QPL Shares as enlarged only by the issue of the aforesaid number of new QPL Shares.

On the basis of an ascribed value of HK$0.03 per existing L&A Share under the Share Offer (based on the closing price of each QPL Share of HK$0.75, as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 1 QPL Share for every 25 L&A Shares) and the 25,586,200,000 L&A Shares which are subject to the Share Offer, the Share Offer is valued at approximately HK$767,586,000. In addition, the amount required to satisfy the cancellation of all outstanding L&A Options based on the see-through price of HK$0.0044 per outstanding L&A Option is HK$880,000. In view of the above and assuming that no L&A Options are exercised before the Closing Date, the Offers are valued at HK$768,466,000 in aggregate.

In the event that all outstanding L&A Options are exercised before the Closing Date, L&A will have to issue 200,000,000 new additional L&A Shares. Assuming that the Share Offer is accepted in full (including all new L&A Shares issued and allotted as a result of the exercise of the L&A Options), the maximum value of the Share Offer will be increased to HK$773,586,000. In such case, no new QPL Shares will be issued by QPL under the Option Offer.

Conditions to the Offers

The Share Offer is conditional upon:

(i) the Offers, the grant of the Specific Mandate to allot and issue new QPL Shares by QPL to the L&A Independent Shareholders and L&A Optionholders who accept the Offers and the Major Transaction having been approved by QPL Shareholders at QPL SGM in accordance with the Listing Rules (the "**Pre-Condition**");

(ii) valid acceptances of the Share Offer having been received at or before 4: 00 p.m. on the Closing Date in respect of the L&A Shares which will result in QPL and parties acting in concert with it holding more than 50% of the L&A Shares;

(iii) the Stock Exchange having granted its approval for the listing of, and permission to deal in, the new QPL Shares to be allotted and issued in consideration for the acquisition of the L&A Shares and the cancellation of the L&A Options pursuant to the terms of the Offers;

(iv) no event having occurred which would make the Offers or the acquisition of any of the L&A Shares by QPL void, unenforceable, illegal or which would prohibit the implementation of the Offers;

(v) no Relevant Authority(ies) in any jurisdiction having taken or instituted any action, proceeding, act, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions or obligations with respect to the Offers or any part thereof or on the acquisition of any of the L&A Shares;

(vi) save as publicly disclosed by L&A in any of its announcement and circular up to the date of the Announcement, since the date of the last audited consolidated financial statements of L&A Group, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of L&A Group as a whole, whether or not arising in the ordinary course of business; and

(vii) the L&A Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the L&A Shares as a result of or in connection with the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the L&A Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of QPL or parties acting in concert with it.

QPL reserves the right to waive all or any of the Conditions (except for the Conditions referred to in paragraphs (i), (ii), (iii), (iv) and (v) above) in whole or in part. As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, QPL must publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional.

Other terms of the Offers

New QPL Shares to be issued

The new QPL Shares will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of issue of such new QPL Shares. There will be no restrictions on the transfer of the new QPL Shares to be issued under the Offers.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the new QPL Shares to be issued in connection with the Offers.

Acceptance of the Offers

Acceptance of the Offers by any L&A Independent Shareholders and L&A Optionholders will be deemed to constitute a warranty by such person that all the L&A Shares and the L&A Options to be sold or cancelled by such person under the Offers will be free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third-party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the Closing Date.

Hong Kong stamp duty

Sellers' and buyers' ad valorem stamp duty for the L&A Shares on the Hong Kong branch share register arising in connection with the acceptances of the Share Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the higher of (i) the consideration payable in respect of the relevant acceptances or (ii) the market value of the L&A Shares tendered for acceptance, will be borne by QPL. No stamp duty is payable in connection with the Option Offer.

Availability of the Offers

QPL intends to make available the Share Offer and the Option Offer to all L&A Independent Shareholders and L&A Optionholders, including those who are residents outside Hong Kong. The availability of the Offers to persons who are not residents in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdictions as a result of the acceptance of the Offers.

Closing of the Offers

Except with the consent of the Executive, all Conditions to the Offers must be fulfilled (or, if permissible, waived) or the Offers must lapse within 21 days of the Closing Date or of the date the Share Offer becomes or is declared unconditional as to acceptances, whichever is the later. The latest date on which QPL can declare the Offers unconditional as to acceptances is 7:00 p.m. on the Long Stop Date.

If the Conditions to the Offers are fulfilled (or, if permissible, waived), the L&A Shareholders and the L&A Optionholders will be notified by an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Settlement of consideration

Consideration of the Offers will be settled by way of issue of new QPL Shares, and new share certificates of such QPL Shares will be posted by ordinary post to the L&A Independent Shareholders and the L&A Optionholders accepting the Offers at his/her/its own risk as soon as possible, but in any event within seven business days following the later of the date on which the Offers become or are declared unconditional in all respects and the date on which receipt of a complete and valid acceptance of the Offers with which relevant L&A Shares and/or the L&A Options are duly tendered.

L&A Independent Shareholders and L&A Optionholders should be aware that in accepting the Offers, any resulting fractions of a new QPL Share will be disregarded and such fractions of a new QPL Share will not be issued.

L&A Independent Shareholders and L&A Optionholders should also be aware that QPL Shares are traded in board lots of 9,000 shares and the L&A Shares are traded in board lots of 8,000 shares. No arrangements are intended to be made for the trading of odd lots of QPL Shares resulting from the acceptance of the Offers. The Directors consider that it will put in additional effort and cost to administer the odd lot matching services, which are not cost-effective from the viewpoint of QPL. Notwithstanding the absence of the odd lots matching services, QPL considers that the aforesaid would be balanced against the fact that the Share Offer price is set at a premium to the prevailing market price which provides reasonable incentives to the L&A Independent Shareholders and L&A Optionholders to accept the Offers.

Specific Mandate

All the QPL Shares to be allotted and issued to satisfy the consideration for the Offers will be allotted and issued, credited as fully paid, by QPL to the L&A Independent Shareholders and the L&A Optionholders for the sole purpose of the Offers. As all the QPL Shares to be allotted and issued pursuant to the Specific Mandate will be applied towards settlement of the acceptance of the Offers, no cash proceeds will be received by QPL in connection with such allotment. The actual number of new QPL Shares to be allotted and issued under the Offers will depend on the level of acceptance under the Offers.

Assuming the Offers are accepted in full by all of the L&A Independent Shareholders and the L&A Optionholders, and no L&A Option will be exercised prior to the Closing Date, the maximum number of new QPL Shares that may fall to be issued in connection with the Share Offer and the Option Offer is 1,024,648,000 QPL Shares. This represents approximately 45.41% of the 2,256,265,322 issued QPL Shares as at the Latest Practicable Date, and approximately 31.23% of the issued share capital of QPL of 3,280,913,322 QPL Shares as enlarged only by the issue of the aforesaid number of new QPL Shares.

In the event that all outstanding L&A Options are exercised before the Closing Date, L&A will have to issue 200,000,000 new additional L&A Shares. Assuming that the Share Offer is accepted in full (including all new L&A Shares issued and allotted as a result of the exercise of the L&A Options), the maximum number of new QPL Shares that may fall to be issued in connection with the Share Offer is 1,031,448,000 QPL Shares. This represents approximately 45.71% of the 2,256,265,322 issued QPL Shares as at the Latest Practicable Date, and approximately 31.37% of the issued share capital of QPL of 3,287,713,322 QPL Shares as enlarged only by the issue of the aforesaid number of new QPL Shares.

Public float of L&A and QPL

QPL intends L&A to remain listed on the Stock Exchange. Should the Offers become unconditional, the Directors and the new directors (if any) to be appointed to the board of directors of L&A will jointly and severally undertake to the Stock Exchange to take appropriate steps (including placing down of sufficient number of accepted L&A Shares by QPL) to ensure that sufficient public float exists in L&A.

QPL does not intend to exercise any rights of compulsory acquisition under Rule 2.11 of the Takeovers Code if the Share Offer is accepted in respect of 90% of the L&A Shares or more.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued shares of L&A, are held by the public, or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the L&A Shares; or

(ii) there are insufficient L&A Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the L&A Shares.

Reasons for the Offers

L&A has been listed on the Growth Enterprise Market of the Stock Exchange since 2014. L&A is an investment holding company and L&A Group principally engages in the manufacturing, sales and retailing of garment products.

In view of the weak business sentiments on QPL Group's manufacturing business as disclosed in the annual report of QPL for the year ended 30 April 2016, the Directors have been exploring different business opportunities in other sectors in order to broaden the sources of income and to boost the business performance of QPL Group.

Although L&A Group is principally engaged in the manufacturing and selling of garments, which is unrelated to the principal businesses of QPL Group, the Directors are of the view that the Offers provide an opportunity for QPL to diversify and expand its business portfolio. The Directors note that despite the loss making position of L&A Group's existing business for the year ended 31 March 2016, L&A has been proactively looking for new business and/or investment opportunities with a view to enhance its revenue sources as well as to bring positive return to L&A Shareholders. As disclosed in the first quarterly report of L&A Group for the three months ended 30 June 2016, L&A Group obtained the money lending licence on 30 June 2016 and it was the view of the directors of L&A that should it materialise, the money lending business of L&A would extend the scope of L&A Group's existing business and broaden L&A Group's revenue basis to enhance profitability. In addition, as disclosed in the announcements of L&A dated 28 April 2016 and 20 June 2016, L&A Group completed the acquisition (the "**Acquisition**") of 47.63% of Red 5 Studios, Inc., a limited liability company incorporated in Delaware, the United States of America and its group companies (collectively known as the "**Red Group**"), which are principally engaged in the development of innovative entertainment software and online games in the United States of America, Europe, the PRC, and Southeast Asia. The Red Group has entered into license and distribution agreements with two distributors and will receive license fee and royalties for publishing and operating an online game for a five-year term in the PRC and for a six-year term in the Southeast Asia respectively. The directors of L&A believe that the said license and distribution agreements would be able to bring positive contribution to the Red Group in the future. The Directors further note that the directors of L&A consider that the Acquisition could provide an opportunity for L&A Group to diversify its business into online game business so as to further enhance its revenue sources as well as to bring positive return to the L&A Shareholders.

QPL is an investment holding company and the principal activities of its subsidiaries are the manufacturing and sales of integrated circuit leadframes, heatsinks and stiffeners, securities trading and investment holding. As disclosed in the annual report of QPL for the year ended 30 April 2016, QPL Group has (i) proposed to seek opportunities to acquire land, plant and machinery for the construction of an additional factory and environmental protection facilities; and (ii) intended to deploy resources to upgrade and restructure existing plants and machineries in order to improve QPL Group's competitiveness and fulfill different production requirements.

Furthermore, QPL commenced securities investment in 2015 and QPL Group owned 13,800,000 L&A Shares as at the Latest Practicable Date for investment purpose. Since L&A's listing in 2014 and until 6 July 2016, the market price of the L&A Shares was generally above or around HK$0.40. On 6 July 2016, the market price of the L&A Shares had a sudden and significant drop and ranged from HK$0.017 to HK$0.395 that day. The closing price of the L&A Shares on 6 July 2016 was HK$0.032 and further dropped to HK$0.021 on 15 July 2016, representing the lowest closing price of L&A Shares during the six months immediately preceding the Last Trading Day. The closing price of the L&A Shares on the Last Trading Day was HK$0.028.

Given the current exceptionally low market capitalisation of L&A as compared to the previous levels and the recent relatively low market price of the L&A Shares, the Directors are of the view that the Offers represent an opportune investment of QPL in L&A Group. In addition, the Directors noted that trading in the L&A Shares had been inactive. Save for July 2016 and August 2016, the average daily trading volume of L&A Shares for the twelve-month period prior to the Last Trading Day was below 1% of the total number of issued L&A Shares held by the public. Given that the L&A Shares are illiquid, it is difficult for QPL to acquire a large block of L&A Shares in the open market and the Directors considered the acquisition by way of the Offers is a viable option to acquire L&A Shares. Furthermore, the Directors consider that the development of L&A Group's business as disclosed above may enhance the growth of L&A Group in the long run, and thus QPL Group would be able to enjoy considerable returns from its investment in L&A. Subject to the Offers having become unconditional, L&A will become a non wholly-owned subsidiary of QPL and the assets and liabilities and financial results of L&A will be included in the consolidated financial statements of QPL Group. After completion of the Offers, the QPL Shareholders will be able to hold the Enlarged Group, which will also enable the QPL Shareholders to enjoy the considerable returns from the investment in L&A.

Assuming the Offers are accepted in full based on the exchange ratio of (i) 1 new QPL Share for every 25 L&A Shares; and (ii) 3 new QPL Shares for cancellation of every 500 L&A Options, the issue of new QPL Shares under the Offers would create a maximum dilution from approximately 31.23% to approximately 31.37% (depending on whether any L&A Options are exercised) to the shareholding interests of the existing QPL Shareholders. Notwithstanding the dilution impact on the shareholding interest of the existing QPL Shareholders as a result of the Offers, the Directors consider that the Offers are in the interest of the QPL Shareholders as a whole because (i) the exchange ratio of 1 new QPL Share for every 25 L&A Shares is determined by QPL based on the prevailing market prices of both the QPL Shares and the L&A Shares and is fair and reasonable; (ii) the acquisition of the L&A Shares by way of the Offers does not require any cash outlay; (iii) the current low market price of the L&A Shares represents an opportune investment for QPL; and (iv) the business prospect of L&A Group as stated above will also enable the QPL Shareholders to be interested in the Enlarged Group and to enjoy the considerable returns from QPL's investment in L&A.

Following the close of the Offers, QPL intends to maintain the listing status of L&A on the Growth Enterprise Market of the Stock Exchange. QPL does not intend to exercise any rights of compulsory acquisition under Rule 2.11 of the Takeovers Code if the Share Offer is accepted in respect of 90% of the L&A Shares or more. QPL intends to continue the existing businesses of L&A Group in substantially its current state, and will conduct a review on the financial position and operations of L&A Group for the purpose of formulating business plans and strategies in order to enhance the long-term growth of L&A Group. As at the Latest Practicable Date, QPL has no intention to scale down or terminate or dispose of the existing businesses of L&A Group and save for the possible change of the composition of the board of L&A, QPL does not have intention to terminate the employees of L&A Group. Although QPL does not have sufficient experience and expertise in the industry of L&A Group, both QPL Group and L&A Group are engaged in the manufacturing and sales businesses. QPL believes that the Directors' extensive experience in the manufacturing and sales sectors will be beneficial to the operation of L&A Group. In addition, QPL intends to nominate additional directors who may possess skill and knowledge of the relevant industry of L&A Group and/or be with financial background to the board of directors of L&A following the completion of the Offers, which will further enhance and be beneficial to the overall business efficacy and operation of L&A Group.

The Directors confirm that the terms and conditions of the Offers and the transactions contemplated thereunder are fair and reasonable and upon normal commercial terms. Having considered the terms and conditions of the Offers and the benefits that are expected to accrue to QPL as a result of the Offers and the transactions contemplated thereunder, the Directors further confirm that the Offers and the transactions contemplated thereunder are in the interest of QPL and the QPL Shareholders as a whole.

Intentions of QPL in relation to L&A

QPL intends to nominate additional directors to the board of directors of L&A following completion of the Offers. Any changes to the board of directors of L&A will be made in compliance with the Takeovers Code, the Listing Rules and the constitutional documents of L&A. Further announcement(s) will be made upon the appointment of new directors of L&A accordingly.

As stated above, following the close of the Offers, QPL intends to continue the existing principal businesses of L&A Group in substantially its current state. QPL would conduct a review on the financial position and the operations of L&A Group and would formulate business plans and strategies of L&A Group, which would be appropriate to enhance the long-term growth potential of L&A Group. QPL has no plan to terminate the employment of the employees (save for the possible change in the composition of the board of directors of L&A) or to redeploy assets of L&A Group other than those in its ordinary and usual course of business.

Information on QPL Group

QPL is a company incorporated in Bermuda with limited liability on 20 January 1989, whose issued shares are listed on the Main Board of the Stock Exchange under the stock code 243. QPL is an investment holding company, and QPL Group is principally engaged in the manufacturing and sales of integrated circuit leadframes, heatsinks and stiffeners, securities trading and investment holding. As at the Latest Practicable Date, QPL had no controlling shareholder.

Shareholding structure of QPL

As at the Latest Practicable Date, there were 2,256,265,322 QPL Shares in issue. Save and except for the outstanding QPL Options granted by QPL to subscribe for 22,710,000 QPL Shares, there were no outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into QPL Shares as at the Latest Practicable Date.

Based on the publicly-available information, assuming that there will be no change to the issued share capital of QPL since the Latest Practicable Date and up to the Closing Date, the shareholding structure of QPL, both before and after completion of the Offers, is set out below:

	As at the Latest Practicable Date		Immediately after the completion of the Offers and assuming all L&A Independent Shareholders validly elect to accept the Share Offer, no L&A Options are exercised and all L&A Options are tendered for cancellation		Immediately after the completion of the Offers and assuming all outstanding L&A Options are exercised and all L&A Independent Shareholders validly elect to accept the Share Offer	
	Number of QPL Shares	*Approximate %*	*Number of QPL Shares*	*Approximate %*	*Number of QPL Shares*	*Approximate %*
L&A Independent Shareholders	0	0.00	1,024,648,000	31.23	1,031,448,000	31.37
中歐盛世資產管理（上海）有限公司 and its concert parties *(Note 1)*	181,200,000	8.03	181,200,000	5.52	181,200,000	5.51
Mr. Li Tung Lok and his concert parties *(Note 2)*	69,063,266	3.06	69,063,266	2.11	69,063,266	2.10
Public QPL Shareholders	2,006,002,056	88.91	2,006,002,056	61.14	2,006,002,056	61.02
Total	2,256,265,322	100.00	3,280,913,322	100.00	3,287,713,322	100.00

Notes:

1. The information disclosed is based on the disclosure of interests pursuant to Part XV of the SFO which is available on the website of the Stock Exchange (www.hkex.com.hk).

2. Mr. Li Tung Lok is the executive chairman and chief executive of QPL. The 69,063,266 QPL Shares include 63,515,530 QPL Shares held by Mr. Li Tung Lok, 900,000 QPL Shares held by Ms. Su Ching Wah Theresa, the spouse of Mr. Li Tung Lok and 4,647,736 QPL Shares held by Solar Forward Company Limited, which is wholly owned by Mr. Li Tung Lok. Therefore, Mr. Li Tung Lok is deemed to be interested in all the QPL Shares held by his spouse and Solar Forward Company Limited under the SFO.

Based on the disclosure of interests required to be notified to L&A and the Stock Exchange pursuant to Part XV of the SFO, the Directors are of the view that the issue and allotment of the new QPL Shares in relation to the Major Transaction will not result in any change of control of QPL and it is expected that QPL would be able to maintain its public float under all circumstances as a result of the Offers.

Information on L&A Group

L&A has been listed on the Stock Exchange since 2014. L&A is an investment holding company and L&A Group principally engages in the manufacturing, sales and retailing of garment products. The L&A Shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8195).

Set out below is a summary of the audited consolidated financial results of L&A Group for the two financial years ended 31 March 2015 and 2016 prepared in accordance with the relevant accounting principles and financial regulations applicable to the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 March	
	2016	**2015**
	(HKD'000)	*(HKD'000)*
Revenue	210,354	350,386
Loss before taxation	26,107	16,435
Loss for the year	29,302	18,391

	As at 31 March	
	2016	**2015**
	(HKD'000)	*(HKD'000)*
Total assets	150,132	190,335
Net assets	93,762	128,617

Shareholding structure of L&A

Based on the publicly-available information as at the Latest Practicable Date, L&A had 25,600,000,000 L&A Shares in issue and 200,000,000 outstanding L&A Options to subscribe for 200,000,000 L&A Shares.

Based on the publicly-available information, assuming that there will be no change to the issued share capital of L&A since the Latest Practicable Date and up to the Closing Date, the shareholding structure of L&A, both before and after completion of the Offers, is set out below:

	As at the Latest Practicable Date		Immediately after the completion of the Offers and assuming all L&A Independent Shareholders validly elect to accept the Share Offer, no L&A Options are exercised and all L&A Options are tendered for cancellation		Immediately after the completion of the Offers and assuming all outstanding L&A Options are exercised and all L&A Independent Shareholders validly elect to accept the Share Offer	
	Number of L&A Shares	*Approximate %*	*Number of L&A Shares*	*Approximate %*	*Number of L&A Shares*	*Approximate %*
Yang's Holdings Capital Limited *(Note)*	6,003,880,000	23.45	–	–	–	–
Ge Qingfu	2,565,324,000	10.02	–	–	–	–
QPL	13,800,000	0.05	25,600,000,000	100.00	25,800,000,000	100.00
Public L&A Shareholders	17,016,996,000	66.48	–	–	–	–
Total	25,600,000,000	100.00	25,600,000,000	100.00	25,800,000,000	100.00

Note:

According to publicly-available information as at the Latest Practicable Date, the entire issued share capital of Yang's Holdings Capital Limited is wholly-owned by YWH Investment Holding Limited, which in turn is wholly-owned by Cantrust (Far East) Limited, the trustee of the Yang's Family Trust, whereby Mr. Yang Si Hang, an executive director and the chief executive officer of L&A, is one of the beneficiaries of the Yang's Family Trust.

Major Transaction and allotment and issue of new QPL Shares under the Specific Mandate

As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of the L&A Shares by QPL pursuant to the Offers are more than 25% but are less than 100%, the Offers constitute a major transaction for QPL under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and QPL Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The allotment and issue of new QPL Shares to the L&A Independent Shareholders and L&A Optionholders who accept the Offers is also subject to the approval of QPL Shareholders at QPL SGM pursuant to Rule 13.36(1)(a) of the Listing Rules.

Any QPL Shareholder who has a material interest in the Major Transaction and the grant of the Specific Mandate is required to abstain from voting at QPL SGM on the resolutions relating to the Major Transaction and the grant of the Specific Mandate. Based on the information available to the Directors as at the Latest Practicable Date and to the best of their knowledge, information and belief and having made all reasonable enquiries, no QPL Shareholders will be required to abstain from voting at QPL SGM on the resolutions relating to the Major Transaction and the grant of the Specific Mandate.

The resolutions relating to the Major Transaction and the grant of the Specific Mandate will be conducted by way of a poll.

Offer Document

As stated in the announcement of QPL dated 4 November 2016 in relation to, among other things, the delay in despatch of the Offer Document, the Offer Document containing, among other things, further details of the Offers, will be despatched within seven days of fulfillment of the Pre-Condition. It is expected that the Offer Document will be despatched on or before 16 December 2016. The Executive has granted the consent under Note 2 to Rule 8.2 of the Takeovers Code to permit the Offer Document to be posted within this timeframe.

Further agreements or arrangements

As at the Latest Practicable Date:

(i) QPL and parties acting in concert with it have not received any irrevocable commitment to accept the Offers;

(ii) save for the 13,800,000 L&A Shares, representing approximately 0.054% of the total issued share capital of L&A, indirectly held by QPL through Enma Holdings, a direct wholly-owned subsidiary of QPL, QPL and parties acting in concert with it do not hold any shares, convertible securities, warrants or options in L&A;

(iii) there is no outstanding derivative in respect of the securities in L&A which has been entered into by QPL or parties acting in concert with it;

(iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the L&A Shares or the QPL Shares and which might be material to the Offers;

(v) save as disclosed in the section headed “Conditions to the Offers” above, there are no agreements or arrangements to which QPL is a party which relates to the circumstances in which QPL may or may not invoke or seek to invoke a condition to the Offers; and

(vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in QPL and L&A which QPL or parties acting in concert with it have borrowed or lent.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with bye-law 102 of the Bye-laws, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Chu Chun On, Franco, Mr. Wong Ka Lok, Andrew and Ms. Chung Hoi Yan will retire from office as a Director and, being eligible, offer themselves for re-election at QPL SGM.

Biographical details of the retiring Directors who are proposed to be re-elected at QPL SGM as required to be disclosed under the Listing Rules are set out in Appendix VII to this circular.

The re-election of the retiring Directors will be individually put to vote by the QPL Shareholders at QPL SGM.

QPL SGM

The Company will convene QPL SGM at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 9 December 2016 at 11:00 a.m. to consider and, if thought fit, approve, among other things, the Major Transaction and the grant of the Specific Mandate, as well as the proposed re-election of the retiring Directors. Notice of QPL SGM is set out on pages 129 to 131 of this circular. The voting on such resolutions will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

A form of proxy for use by the QPL Shareholders at QPL SGM is enclosed with this circular. Whether or not you are able to attend QPL SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding QPL SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at QPL SGM or any adjournment thereof in person should you so wish.

Any QPL Shareholders or their respective close associates with a material interest in the resolutions to be proposed at QPL SGM are required to abstain from voting at QPL SGM. As at the Latest Practicable Date, QPL has no controlling shareholder. Neither QPL Shareholders nor their respective close associates are required to abstain from voting on the resolutions to be proposed at QPL SGM.

RECOMMENDATIONS

The Directors are of the view that the terms and conditions of the Offers and the transactions contemplated thereunder are fair and reasonable. Having considered the terms and conditions of the Offers and the benefits that are expected to accrue to QPL as a result of the Offers and the transactions contemplated thereunder, the Directors further consider that the Offers and the transactions contemplated thereunder are in the interests of QPL and its shareholders as a whole. In addition, the Directors consider that the re-election of the retiring Directors is in the best interests of the Company and its shareholders as a whole. Therefore, the Directors recommend the QPL Shareholders to vote in favour of the relevant proposed resolution(s) in relation to the Major Transaction and the grant of the Specific Mandate, as well as the proposed re-election of the retiring Directors.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
QPL International Holdings Limited
Li Tung Lok
Executive Chairman and Chief Executive

FINANCIAL INFORMATION OF QPL GROUP

The audited consolidated financial statements of QPL Group for each of the three financial years ended 30 April 2014, 2015 and 2016, including the notes thereto, were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and QPL's website (http://qpl.com):

- Annual report of QPL for the year ended 30 April 2016 published on 9 August 2016 (pages 40 to 119);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0809/LTN20160809220.pdf

- Annual report of QPL for the year ended 30 April 2015 published on 11 August 2015 (pages 40 to 111); and

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0811/LTN20150811444.pdf

- Annual report of QPL for the year ended 30 April 2014 published on 7 August 2014 (pages 42 to 123).

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0807/LTN20140807119.pdf

The management discussion and analysis of QPL Group for each of the three financial years ended 30 April 2014, 2015 and 2016 were disclosed in the annual reports of QPL for the financial years ended 30 April 2014 (pages 5 to 12), 30 April 2015 (pages 5 to 12) and 30 April 2016 (pages 5 to 13), respectively, which are incorporated by reference into this circular. The annual reports of QPL have been published on the website of the Stock Exchange (www.hkex.com.hk) and QPL's website (http://qpl.com).

STATEMENT OF INDEBTEDNESS

As at close of business on 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, QPL Group had outstanding borrowings of approximately HK$32.12 million. These borrowings comprised: (i) collateralised bank borrowings of approximately HK$30.32 million which was secured by certain of QPL Group's trade receivables and guaranteed by group entities; (ii) unguaranteed obligations under finance leases of approximately HK$1.73 million which was secured by certain of QPL Group's property, plant and equipment; and (iii) unsecured and unguaranteed borrowings from a Director of approximately HK$0.07 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 30 September 2016, QPL Group did not have any debt securities issued, authorised or agreed to be issued, bank overdrafts, term loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECT

QPL acts as an investment holding company. The principal activities of its subsidiaries are the manufacture and sales of integrated circuit leadframes, heatsinks and stiffeners, securities trading and investment holding.

As disclosed in the annual report of QPL for the financial year ended 30 April 2016, the current business environment in the PRC has been unfavourable to QPL Group. The increase in wages and operating cost in the PRC had a negative impact on QPL Group's business operations and margins and this trend might continue. In order to improve QPL Group's operational performance and its competitiveness, QPL Group intends to deploy resources to upgrade and restructure existing plants and machineries and will continue to implement plans to increase its production efficiency and capacity. In addition, QPL Group proposes to seek opportunities to acquire land, plant and machinery for the construction of an additional factory and environmental protection facilities. In respect of securities trading and investment holding business, QPL invests in listed equity securities in Hong Kong for trading investment purpose, and QPL will continue to identify suitable investments in the market to further expand the sources of investment income and enhance QPL Shareholders' return.

Following completion of the Offers and only if completion of the Offers take place, QPL Group would conduct a review on the financial position and the operations of L&A Group and would formulate business plans and strategies of L&A Group, which would be appropriate to enhance the long-term growth potential of L&A Group.

Moving forward, the Directors will seek for other business opportunities with a view to generate improved returns to the QPL Shareholders.

EFFECT OF THE OFFERS ON EARNINGS, ASSETS AND LIABILITIES OF QPL GROUP

Subject to the Offers having become unconditional, L&A will become a non wholly-owned subsidiary of QPL and the assets and liabilities and financial results of L&A will be included in the consolidated financial statements of QPL Group. The unaudited pro forma financial information of QPL Group upon the completion of the Offers as set out in Appendix IV to this circular illustrates the effects of the Offers on QPL and the basis of preparation thereon.

As at 30 April 2016, QPL Group had total assets of approximately HK$851,534,000 and total liabilities of approximately HK$102,688,000. Based on the total assets and liabilities of both QPL Group and L&A Group as at 30 April 2016 and assuming the Offers having become unconditional, the unaudited pro forma total assets will be approximately HK$1,479,223,000 and total liabilities will be approximately HK$126,085,000 as indicated in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group contained in Appendix IV to this circular.

As the Offers are subject to the Conditions set out in the section headed "Conditions to the Offers" in the "Letter from the Board", the Company has not been able to exercise control over L&A or been granted access to the books and records of L&A except for the publicly-available information. Due to such unavailability of certain information of L&A, the Company was unable to include in this circular certain information relating to L&A and the Enlarged Group to strictly comply with the disclosure requirements under Chapter 14 of the Listing Rules. Such outstanding information, therefore, is required to be and will be despatched to the QPL Shareholders by way of a supplemental circular within 45 days of the earlier of: the Company being able to gain access to L&A's books and records for the purpose of complying with the disclosure requirements in respect of L&A and the Enlarged Group under Rules 14.66 and 14.67; and the Company being able to exercise control over L&A.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Major Transaction and the internally generated funds by QPL Group, QPL Group shall have sufficient working capital to meet its present requirement for at least the next 12 months from the date of this circular in absence of any unforeseen circumstance.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospect of QPL Group since 30 April 2016, being the date to which the latest published audited consolidated financial statements of QPL Group were made up, up to and including the Latest Practicable Date.

FINANCIAL INFORMATION OF L&A GROUP

The audited consolidated financial statements of L&A Group for each of the three financial years ended 31 March 2014, 2015 and 2016, including the notes thereto, were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the L&A's website (www.lna.com.hk):

- Interim report of L&A for the six months ended 30 September 2016 published on 14 November 2016 (pages 4 to 55);

  http://www.hkexnews.hk/listedco/listconews/GEM/2016/1114/GLN20161114281.pdf

- Annual report of L&A for the year ended 31 March 2016 published on 30 June 2016 (pages 51 to 135);

  http://www.hkexnews.hk/listedco/listconews/GEM/2016/0630/GLN20160630125.pdf

- Annual report of L&A for the year ended 31 March 2015 published on 29 June 2015 (pages 48 to 135); and

  http://www.hkexnews.hk/listedco/listconews/GEM/2015/0629/GLN20150629087.pdf

- Prospectus of L&A published on 30 September 2014 (Appendix I).

  http://www.hkexnews.hk/listedco/listconews/GEM/2014/0930/GLN20140930091.pdf

Set out below is the relevant sections of the management discussion and analysis of the L&A Group contained in the corresponding annual reports and prospectus. References to the "Company" and the "Group" in this appendix refer to L&A and the L&A Group, respectively.

1. FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of L&A's interim report for the six months ended 30 September 2016.

BUSINESS REVIEW

The Group principally derives its revenue from manufacturing and selling Pure Cashmere Apparel and Other Apparel products under its two business arms: (i) OEM business segment, which entails product design and development, raw materials sourcing and procurement, manufacturing and product quality control management (the "OEM business") and (ii) apparel retail business segment, which entails designing, procuring, manufacturing, marketing and retailing of Pure Cashmere Apparel and Other Apparel products as well as accessories through an established retail network in Hong Kong under the Group's proprietary trademarks, "*Casimira*" and "*Les Ailes*" (the "Retail Business").

Further to our disclosures earlier in the year on the downward trend of our business, the performance of our OEM Business continued to experience decline as compared to the same period last year. Shopping trends in the United States of America ("US") has been shifted from major branded apparels to large affordable fashion retailers, and spending patterns shifted towards a higher willingness to spend on electronics products instead. As a result, major apparel brands in the US are experiencing this pressure and resulting in a wave of cost cutting, store closures and discounted sales of their products this period. This trend is particularly evident for "middle" market brands where they cannot charge excessive premium for their products or lower their cost sufficiently to compete with large scale affordable fashion retailers. Unfortunately, our products rely on the performance of these "middle" market branded retailers in the US and their poor performance has negatively impacted us in this period and is expected to continue throughout the rest of the year. While we do not foresee the disappearance of this market segment, we do expect reduced sales from them, as well as higher demand from them for cost control and lower priced products. Based on our long term experience in this industry, we believe this is part of the cyclical nature of the fashion industry. While we have stepped up the efforts in controlling our expenses, such as redundant excessive headcount, we are also looking for innovative ways on how we can weather this downturn and at the same time look for opportunities in any niche segment that our knowhow in cashmere garment manufacturing that we could utilize on.

For the Retail Business, the decline in revenue is mainly attributable to the prolongation of the sluggish consumer market in Hong Kong, arising from the negative consumption sentiments of the general consumers and tourists under the persistent uncomfortable shopping atmosphere. These trigger the consequence of weak foot traffic and declining number of Mainland customers visiting Hong Kong.

The Group has commenced the Money Lending Business in Hong Kong during the period. The Group targets customers who look for substantial loan amounts and can offer security for the relevant loans.

During the period under review, except for the commencement of Money Lending Business, the Group had no material changes in its business nature and principal activities.

PROSPECTS

For the OEM Business, the downturn in the US retail industry as previously disclosed was much more severe than the management of the Company had anticipated and some players in the US retail market may even face liquidity issues. Based on the management's past experience in previous downturn cycles of this industry, it will be a prudent approach not to accept any risk in the attempt to secure business during such challenging moment. Aside, from the reducing sales orders from the major customers, the Group is also facing ever-increasing cost of productions in Mainland China. The estimated revenue of OEM Business for the period from 1 October 2016 to 31 December 2016 is expected to decline significantly as compared to the same period of last year. However, the management of the Company will continue to find new orders and customers to widen the customer base and reallocate the resources for production according to the order received in order to save cost.

For the Retail Business, the management of the Company will closely monitor the consumers' behaviour and will continue the promotion campaigns. The management of the Company is also monitoring the movement of the rental of retail outlets and will adjust the expansion plan for Retail Business if necessary. Despite the uncertainties, the management of the Company still remains positive towards the Retail Business.

Furthermore, the management of the Company is also looking for new investment opportunities, especially retail market in Mainland China and Hong Kong, in order to compensate the shrinking retail market of cashmere garments in the US.

To diversify the Group's business scope and broaden the Group's sources of income, the Group is now engaged in money lending business in Hong Kong. The Group targets customers who look for substantial loan amounts and can offer security for the relevant loans. The financial performance of money lending business will review separately from that of the other operating segments and its results will be presented as a separate operating and reportable segment. Looking forward, the Group will from time to time aims to focus on money lending business and seek the business opportunities that can broaden the income base of the Group and create the maximum returns to the shareholder.

FINANCIAL REVIEW

Revenue

The Group's revenue dropped from approximately HK$119.2 million for the six months ended 30 September 2015 to approximately HK$47.5 million for the six months ended 30 September 2016, representing a decrease of approximately 60.2%. The revenue of OEM Business decreased by approximately 61.5% to approximately HK$42.8 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015. On the other hand, the revenue from Retail Business decreased by approximately 52.9% to approximately HK$3.7 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015.

The following table sets forth the breakdowns of the revenue of the Group by segment for each of the six months ended 30 September 2015 and 30 September 2016.

	Six months ended 30 September			
	2016		**2015**	
	HK$'000	*%*	*HK$'000*	*%*
OEM Business	42,812	90.1	111,270	93.3
Retail Business	3,746	7.9	7,970	6.7
Money Lending Business	955	2.0	–	–
	47,513	100.0	119,240	100.0

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped by 42.5% to approximately HK$53.5 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015. The gross profit margin decreased from approximately 21.9% for the six months ended 30 September 2015 to approximately -12.6% for the six months ended 30 September 2016. The gross profit dropped by approximately -122.9% to approximately HK$-6.0 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015.

Expenses

Selling and administrative expenses for the six months ended 30 September 2016 was approximately HK$68.9 million (six months ended 30 September 2015: approximately HK$27.6 million), representing a increase of approximately HK$41.3 million, as a result of approximately HK$37.0 million share option expenses and approximately HK$10.1 million professional expenses incurred in relation to legal proceedings and a voluntary conditional offer by Favorite Number Limited, which was subsequently withdrawn.

Loss for the period

The loss for the six months ended 30 September 2016 was approximately HK$83.1 million. The loss for the six months ended 30 September 2015 was approximately HK$0.7 million.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Group's bank borrowings are primarily for financing raw materials purchases. As at 30 September 2016, the Group had bank borrowings of approximately HK$8.7 million (31 March 2016: HK$29.0 million). The decrease is mainly due to the Group intends to lower the gearing ratio.

As at 30 September 2016, the bank borrowings of the Group are secured and repayable within one year from the end of the reporting period based on scheduled repayment dates set out in the loan agreements. The variable rate bank borrowings carry interests at trade finance rates quoted by the lender plus 1.00% to 1.75% per annum. The ranges of effective interest rates on borrowings are 4.26% to 8.22% per annum as at 30 September 2016 (31 March 2016: 2.01% to 6.75% per annum).

As at 30 September 2016, the Group had approximately HK$5.9 million in bank balance and cash (31 March 2016: HK$16.9 million).

Capital Raising

Reference is made to the announcement of the Company dated on 21 July 2016. The Company entered a placing agreement with a placing agent for the placing of an aggregate of 2,869,886,385 new shares of the Company at a placing price of HK$0.0209 per share. The Placing was completed on 11 August 2016.

Capital Commitments

The Group did not have any significant capital commitments as at 30 September 2016 (31 March 2016: nil).

Gearing ratio

As at 30 September 2016, the Group's gearing ratio was approximately 1.4% (31 March 2016: approximately 31.0%), based on total debt of approximately HK$8.7 million and total equity of approximately HK$623.4 million. The decrease was mainly attributable to increase in the repayment of bank borrowings during the six months ended 30 September 2016.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings.

Charge over Assets of the Group

As at 30 September 2016, the Group had pledged deposits of approximately HK$14.2 million (31 March 2016: approximately HK$14.4 million). These deposits are pledged to banks to secure bank facilities granted to the Group.

Legal Proceedings

Registration of Shares of the Company (the "Registration")

Reference is made to the Company's announcements dated 9 August 2016 and 28 October 2016 respectively in relation to the originating summons dated 27 July 2016 (the "Originating Summons of the Registration") filed by (i) Sun Jiyou; (ii) Chen Haiyan; (iii) Liu Jing; (iv) Ling Chuanshun; (v) Zhang Bing; and (vi) Xiao Laiwen as the plaintiffs (collectivity, the "Plaintiffs of the Registration") against the Company and Yang's Holding Capital Limited ("Yang's Holding") as the defendants in the High Court of Hong Kong (the "Court") (the "Legal Proceedings of the Registration") and a summons dated 28 July 2016 (the "Summons of the Registration") filed by the Plaintiffs of the Registration for the Legal Proceedings of the Registration.

In the Originating Summons of the Registration, the Plaintiffs of the Registration sought, inter alia, (i) orders from the Court that the Company shall register in aggregate of 1,545,000,000 shares of the Company (the "Relevant Shares") which were allegedly transferred from Yang's Holdings to the Plaintiffs of the Registration; (ii) declaration from the Court that the Plaintiffs of the Registration are the beneficial owners of the Relevant Shares in their respective proportion; and (iii) an injunction, inter alia, that pending registration of the Plaintiffs of the Registration as the registered shareholders of the Company, Yang's Holdings shall exercise all rights attached to the Relevant Shares (including but not limited to voting rights at general meetings of the Company) according to the instructions of the Plaintiffs of the Registration and, that the Company shall exercise and/or count the votes of the Plaintiffs of the Registration in the general meetings.

In the Summons of the Registration, the Plaintiffs of the Registration applied for, inter alia, (i) an order that Yang's Holdings be compelled to exercise its voting rights in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration; (ii) an order that the Company shall register the transfer of the Relevant Shares (the "Registration Order Sought"); and (iii) an injunction against the Company that the Company be restrained from holding any general meeting of the shareholders (including but not limited to the annual general meeting) until such date after the completion of the registration of the Relevant Shares (the "Injunction Sought").

The Summons of the Registration was heard on 5 August 2016, the Court ordered, inter alia, that (i) Yang's Holdings shall exercise its voting rights in respect of the Relevant Shares in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration (the "Voting Order") and the other orders sought by the Plaintiffs of the Registration in the Summons of the Registration be adjourned for argument.

On 23 August 2016, Flying Mortgage Limited (the "Flying Mortgage"), who claims to have interests in the Relevant Shares, issued a summons ("Flying Mortgage Summons"), inter alia, for leave to (i) intervene in the Legal Proceedings of the Registration; (ii) be joined as the third defendant in the Legal Proceedings of the Registration; and (iii) vary the Voting Order to the effect that Yang's Holding shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company.

The Court gave a written decision on 26 October 2016 and ruled, inter alia, that (i) the Registration Order Sought and the Injunction Sought in the Summons of the Registration be dismissed; (ii) the Voting Order be varied to the effect that Yang's Holdings shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company until further order; (iii) Flying Mortgage was allowed to intervene and be jointed as the third defendant in the Legal Proceedings of the Registration; and (iv) the Company shall not register the Relevant Shares until further order of the Court.

The Directors of the Company will follow the Court Order in relation to the Registration of the Shares. As a result, no contingent liability is expected up to the issuance of the interim report.

Share Options of the Company (the "Share Options")

Reference is made to the Company's announcement dated 2 September 2016 in relation to, inter alia, (i) a draft originating summons to be filed by Ge Qingfu, Li Quan and Liu Longcheng as the plaintiffs (collectivity, the "Plaintiffs of the Share Options") against the Company and all the directors of the Company (the "Directors") as the defendants in the Court; and (ii) a draft injunction order received by the Company's legal adviser on 26 August 2016.

The Company's legal adviser received on 30 August 2016 a hearing bundle containing, inter alia, an originating summons (the "Originating Summons of the Share Options") issued by the Plaintiffs of the Share Options on 26 August 2016 and claimed against the Company, the Directors, eight grantees of share options referred to in the Company's announcement dated 22 August 2016 (the "Share Option Announcement"), and two broker firms as the defendants in the Court under action number HCMP 2222 of 2016 (the "Legal Proceedings of the Share Options") and a draft injunction order for the Legal Proceedings of the Share Options.

In the Originating Summons of the Share Options, the Plaintiffs of the Share Options sought reliefs, inter alia, (i) a declaration that the granting of the 2,000,000,000 share options referred to in the Share Option Announcement ("Purported Options") is void and of no legal effect or, alternatively, voidable; (ii) a declaration that any allotment of shares made pursuant to the exercise of any of the Purported Options is void and no legal effect or, alternatively, voidable; (iii) the Company and the Directors (whether acting by themselves, their officers, servants, agents or otherwise howsoever) be restrained from: (1) recognising or giving effect or otherwise taking any step to implement the purported exercise of any of the Purported Options; (2) recognising or giving effect or otherwise taking any step to implement the exercise of any disposition, rights (including voting rights) or power attached to the 1,800,000,000 shares of the Company derived from the exercise of the Purported Options; (3) taking, or procuring the taking, of any steps to alter the issued share capital of the Company save and except for those which are for proper purposes and in the best interests of the Company; (4) taking, or procuring the taking, of any step to frustrate or defeat the requisition contained in the notice of requisition dated

23 August 2016 issued by the Plaintiffs (the "Plaintiffs Requisition") for the purpose of convening an extraordinary general meeting of the Company to be held; or alternatively, an order requiring the Company to convene the extraordinary general meeting set out in the Plaintiffs Requisition within 21 days from the date of deposit of the requisition in accordance with Article 12.3 of the Articles of Association of the Company.

The Company and the Directors (except Yang Si Hang who was absent and unpresented) in the hearing heard on 31 August 2016 undertook to the Court, inter alia, not to give effect to the exercise of any of the outstanding 200,000,000 share options and not to alter the issued share capital of the Company without the leave of the Court. No injunction order was made against the Company and Directors. The Company is seeking legal advice in respect of the Legal Proceedings of the Share Options.

As a result, no contingent liability is expected up to the issuance of the interim report.

Significant investments, acquisitions and disposals, and Plans for Material Investment or Capital Assets

On 28 April 2016, the Group entered into a sales and purchase agreement with New Star International Development Limited, SOPD, Incsight Limited, Zhu Jun, Lai Kwok Ho, Li Jia, Chi Weina and Ji We ("Vendors") and The9 Limited ("Guarantor") pursuant to which the Group conditionally agreed to purchase 47.63% of equity interests in Red 5 Studios, Inc. ("Target Company"), a limited liability company incorporated in Delaware, the United States of America for a total of consideration of US$76,500,000 (equivalent to approximately HK$596,700,000). The Target Company and its subsidiaries are principally engaged in the development of innovative entertainment software and online games in the United States of America, Europe, the PRC and Southeast Asia.

The transaction was completed on 20 June 2016.

226,022,723 shares at issue price of HK$2.64 per share were allotted and issued to Vendors in proportion to numbers of shares sold by the Vendors. Details are set out in the announcements of the Company dated 28 April 2016 and 20 June 2016.

Save for above, there were no significant investments held as at 30 September 2016, nor other material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 September 2016. There is no future plan for material investments or capital assets as at 30 September 2016.

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities (2015: nil).

Foreign Exchange Risk

The Group settles the cost of production in Renminbi ("RMB") and Hong Kong dollars ("HK$") and most of the sales of the Group are settled in United States dollars ("US$") and others are denominated in HK$. Therefore, the Group is exposed to foreign exchange risk of both US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

Employees and Remuneration Policies

As at 30 September 2016, the Group had approximately of 120 employees. The Group's staff cost for the six months ended 30 September 2016 amounted to approximately HK$19.6 million. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in various security insurance including social insurance prescribed by the Social Insurance Law of PRC (《中華人民共和國社會保險 法》), and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Company's prospectus dated 30 September 2014 (the "Prospectus") with actual business progress for the six months ended 30 September 2016.

Business plan as set out in the Prospectus	Progress up to 30 September 2016
Expansion of the Group's OEM Business	
Purchase of cashmere yarns	The fund has been used to purchase cashmere yarns for production.
Marketing and promotion activities	The Group met OEM customers regularly for exchange of new ideas in respect of fashion market trend and introducing the Group's craftsmanship in knitting.
Purchase of new production machineries	The funds have been used to maintain the productivity of the existing machineries.
Improving water quality systems	Some funds have been used to improve the water quality systems.
Expansion of the Retail Business	
Establish new Concession Stores or Free-Standing Stores	The Group has set up 1 Free-Standing Stores and 1 Concession Stores during the period. The Group is reviewing the needs and timeframe for establishing new retail outlets.
Brand promotional and marketing activities	The Group has placed various advertisements on magazines during the period. The Group is planning to escalate its marketing efforts by continuing existing advertising activities on a more extensive scale.
Upgrading ERP system	Due to the change in use of proceeds as disclosed in the announcements of the Company dated 25 June 2015 and 16 July 2015, there is no further progress in respect of upgrading ERP system.

Reference is also made to the announcements of the Company dated 25 June 2015 and 16 July 2015 relating to the change in use of proceeds. The plan to purchase of new production machineries and upgrade its ERP System as scheduled and disclosed in the Prospectus was changed (see the information under the heading of "USE OF PROCEEDS FROM THE PLACING OF SHARES" of this report).

PRINCIPAL RISKS AND UNCERTAINTIES

Operational Risk

The Group is exposed to the operational risk in relation to each business division of the Group. To manage the operational risk, the management of each business division is responsible for monitoring the operation and assessing the operational risk of their respective business divisions. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery and has established a whistleblower program, including communication with other departments and business divisions and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial Risks

The Group is exposed to the credit risk and liquidity risk.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of 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.

Liquidity Risk

The Directors has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. In this regard, the Directors consider that the Group's liquidity risk is effectively managed.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The net proceeds from the listing of the shares of the Company by way of placing on the GEM of the Stock Exchange ("Placing") were approximately HK$41.5 million, which was based on the final placing price of HK$0.6 per share after deducting the underwriting commission and actual expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

As disclosed in the Company's announcements dated 24 June 2015 and 16 July 2015, the Board has utilised approximately HK$15.0 million of the net proceeds from the Placing as deposit to trade facilities account in order to lower the interest expense of the Group.

During the review period, the Group has applied the net proceeds as follows:

	Adjusted use of proceeds in the same manners and proportion as stated in prospectus and announcements dated 24 June 2015 and 16 July 2015	Actual utilised amount up to 30 September 2016
	HK$'000	*HK$'000*
Expansion of the OEM Business	15,640	14,203
Expansion of the Retail Business	6,694	4,651
Deposit to trade facilities account	15,000	15,000
General working capital	4,118	4,118
Total	41,452	37,972

2. FOR THE YEAR ENDED 31 MARCH 2016

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of L&A's annual report for the year ended 31 March 2016.

BUSINESS REVIEW

The Group principally derives its revenue from manufacturing and selling pure cashmere apparel and other apparel products under its two business arms: (i) OEM Business segment, which entails product design and development, raw material sourcing and procurement, manufacturing and product quality control management (the "OEM Business") and (ii) apparel retail business segment, which entails designing, procuring, manufacturing, marketing and retailing of pure cashmere apparel and other apparel products as well as accessories through an established retail network in Hong Kong under the Group's proprietary trademarks, "*Casimira*" and "*Les Ailes*" (the "Retail Business").

For the OEM Business, over the year ended 31 March 2016, the Company noted a tough retail environment globally and experienced an unexpected weakened consumer sentiment. Shopping trends in the United States of America ("US") have begun to shift from major branded apparels to large affordable fashion retailers, and spending patterns have begun to shift towards a higher willingness to spend on electronics products instead. As a result, major apparel brands in the US are experiencing this pressure, resulting in a wave of cost cutting, store closures and clearance sales of their products this year. This trend is particularly evident for mid-market brands which find it difficult to charge excessive premium for their products or lower their costs sufficiently to compete with the larger fashion retailers. Unfortunately, our products rely on the performance of these mid-market retailers in the US and their poor performance has negatively impacted us in this quarter and is expected to continue throughout the year. While we do not foresee the disappearance of this market segment, we do expect reduced sales from them, as well as higher demand from them for cost control and lower priced products. Based on our long term experience in this industry, we believe this is part of the cyclical nature of the fashion industry. While we have stepped up the efforts in controlling our expenses, we are also looking for innovative ways to weather this downturn and at the same time look for opportunities in any niche segments on which we could utilise our know-how in cashmere garment manufacturing.

For the Retail Business, the decline of revenue is mainly attributable to the weak consumer market prolonged by the sluggish economy, low level of consumer sentiment and the rather unpleasant shopping atmosphere in Hong Kong. These factors have caused the number of Chinese tourists in Hong Kong to decline. Additionally, the warmest November ever recorded in Hong Kong last year, aggravated the already weakened demand for its cashmere garments.

During the year, the Group had no material changes in its business nature and principal activities.

FINANCIAL REVIEW

Revenue

The Group's revenue declined from approximately HK$350.4 million for the year ended 31 March 2015 to approximately HK$210.4 million for the year ended 31 March 2016, representing a decrease of approximately 40.0%. The revenue of OEM Business decreased by approximately 42.2% to approximately HK$184.2 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015. On the other hand, the revenue from the Retail Business decreased by approximately 17.0% to approximately HK$26.2 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

For the OEM Business, sales orders for pure cashmere products dropped by approximately 34.3% from 388,000 units to 255,000 units for each of the year ended 31 March 2015 and 2016 respectively. The decrease in revenue was mainly due to a tough retail environment in US, which is the Group's key market, sales orders dropped significantly when compared with last year. As a result, total sales to the Group's top 5 customers dropped by approximately HK$122.4 million as compared to the year ended 31 March 2015. For the Retail Business, the Group sold approximately 152,000 units and 136,000 units from its Retail Business for each of the year ended 31 March 2015 and 2016 respectively. The decrease in revenue was mainly due to weak consumer market prolonged by the sluggish economy which caused the number of Chinese tourists in Hong Kong to decline, and warmer weather in winter as compared with last year.

	Year ended 31 March			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
OEM Business	184,161	87.5	318,812	91.0
Retail Business	26,193	12.5	31,574	9.0
	210,354	100.0	350,386	100.0

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped by 34.1% to approximately HK$190.0 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The gross profit margin decreased from approximately 17.7% for the year ended 31 March 2015 to approximately 9.7% for the year ended 31 March 2016. The gross profit decreased by approximately 67.2% to approximately HK$20.4 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

Expenses

Selling and administrative expenses (exclude listing expenses) for the year ended 31 March 2016 were approximately HK$56.4 million (year ended 31 March 2015: approximately HK$68.8 million), representing a decrease of approximately HK$12.4 million. It is mainly due to costs control and decrease of employee benefits expenses.

Loss for the year

The loss for the year ended 31 March 2016 was approximately HK$29.3 million. The loss for the year ended 31 March 2015 was approximately HK$18.4 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Group's bank borrowings are primarily for financing raw materials purchases. As at 31 March 2016, the Group had bank borrowings of approximately HK$29.0 million (31 March 2015: HK$38.6 million). The decrease was due to less loans borrowing and repayment of loans.

The variable rate bank borrowings carried interests at Trade Finance Rates quoted by the lender plus 1.00% or 1.75% per annum. The ranges of effective interest rates on borrowing are 2.01% to 6.75% per annum as at 31 March 2016 (31 March 2015: 4.23% to 6.75% per annum).

As at 31 March 2016, the Group had approximately HK$16.9 million in bank balances and cash (31 March 2015: HK$15.8 million).

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 March 2016 and 2015.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 30 September 2014 (the "Prospectus") and this report of the Company, the Group did not have other plans for material investments and capital assets.

GEARING RATIO

As at 31 March 2016, the Group's gearing ratio was approximately 31.0% (31 March 2015: approximately 30.2%), based on total debt of approximately HK$29.0 million and total equity of approximately HK$93.8 million.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings and obligation under finance leases.

CHARGE OVER ASSETS OF THE GROUP

As at 31 March 2016, the Group had pledged bank deposits of approximately HK$14.4 million (31 March 2015: pledged bank deposits of approximately HK$6.1 million and pledged structured bank deposit of approximately HK$8.4 million). These deposits were pledged to banks to secure bank facilities granted to the Group. The motor vehicles acquired under finance leases have been fully repaid during the year. As at 31 March 2016, the carrying value of the motor vehicles held under finance leases was nil (31 March 2015: HK$232,000).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments held as at 31 March 2016, nor other material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2016.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group had no material contingent liabilities (2015: nil).

FOREIGN EXCHANGE RISK

The Group settles the cost of production in Renminbi ("RMB") and Hong Kong dollars ("HK$") and most of the sales of the Group are settled in United States dollars ("US$") and others are denominated in HK$. Therefore, the Group is exposed to foreign exchange risks of both US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed approximately of 152 employees. The Group's staff cost for the year ended 31 March 2016 amounted to approximately HK$52.9 million. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in various security insurance including social insurance prescribed by the Social Insurance Law of PRC (《中華人民共和國社會保險法》), and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2016 are set out in note 28 to the consolidated financial statements.

In Hong Kong, the Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong).

Pursuant to the applicable PRC laws and regulations, the Group participates in contributing to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 31 March 2016.

Business plan as set out in the Prospectus	Progress up to 31 March 2016
Expansion of the Group's OEM Business	
Purchase of cashmere yarns	The fund has been used to purchase cashmere yarns for production.
Marketing and promotion activities	The Group met OEM customers regularly for exchange of new ideas in respect of fashion market trend and introducing the Group's craftsmanship in knitting.
Purchase of new production machineries	The funds have been used to maintain the productivity of the existing machineries.
Improving water quality systems	Some funds have been used to improve the water quality systems.
Expansion of the Retail Business	
Establish new Concession Stores or Free-Standing Stores	The Group has set up 1 Free-Standing Stores and 1 Concession Stores during the year. The Group is reviewing the needs and timeframe for establishing new retail outlets.
Brand promotional and marketing activities	The Group has placed various advertisements on magazines during the period. The Group is planning to escalate its marketing efforts by continuing existing advertising activities on a more extensive scale.
Upgrading ERP system	Due to the change in use of proceeds as disclosed in the announcements of the Company dated 25 June 2015 and 16 July 2015, there is no further progress in respect of upgrading ERP system.

Reference is also made to the announcements of the Company dated 25 June 2015 and 16 July 2015 relating to the change in use of proceeds. The plan to purchase of new production machineries and upgrade its ERP System as scheduled and disclosed in the Prospectus was changed (see the information under the heading of "USE OF PROCEEDS FROM THE PLACING OF SHARES" of this report).

PRINCIPAL RISKS AND UNCERTAINTIES

Operational Risk

The Group is exposed to the operational risk in relation to each business division of the Group. To manage the operational risk, the management of each business division is responsible for monitoring the operation and assessing the operational risk of their respective business divisions. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery and has established a whistleblower program, including communication with other departments and business divisions and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial Risks

The Group is exposed to the credit risk and liquidity risk.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of 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.

Liquidity Risk

The Directors has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

In the management of liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity.

The management monitors the utilisation of bank borrowings. The Group successfully renewed bank facilities that fell due during the year ended 31 March 2016. In addition, management maintains continuous communication with the Group's relevant bank on the renewal of existing bank facilities that have bank covenants breached as explained in note 22. While re-negotiation of terms of the borrowings with the relevant banker is still in progress, the directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the relevant bank which enables the Group to ultimately reach a successful conclusion in negotiating the terms of the bank borrowings. Up to the date of approval for issuance of these financial statements, the directors of the Company are not aware of any present intention of the Group's principal banks to withdraw their bank facilities granted or request early repayment of the utilised facilities.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The net proceeds from the listing of the shares of the Company by way of placing on the GEM of the Stock Exchange ("Placing") were approximately HK$41.5 million, which was based on the final placing price of HK$0.6 per share after deducting the underwriting commission and actual expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

As disclosed in the Company's announcements dated 24 June 2015 and 16 July 2015, the Board has utilised approximately HK$15.0 million of the net proceeds from the Placing as deposit to trade facilities account in order to lower the interest expense of the Group.

During the year, the Group has applied the net proceeds as follows:

	Adjusted use of proceeds in the same manners and proportion as stated in prospectus and announcements dated 24 June 2015 and 16 July 2015	**Actual utilised amount up to 31 March 2016**
	HK$'000	*HK$'000*
Expansion of the OEM Business	15,640	14,143
Expansion of the Retail Business	6,694	4,174
Deposit to trade facilities account	15,000	15,000
General working capital	4,118	4,118
Total	41,452	37,435

EVENTS AFTER THE REPORTING PERIOD

Share charge by Yang's Holdings Capital Limited

On 21 April 2016, Yang's Holdings Capital Limited executed a share charge over 840,000,000 shares (the "Share Charge") in the share capital of the Company in favour of a licensed money lender in Hong Kong as security for a term loan facility granted to Yang's Holdings Capital Limited. On 11 May 2016, the Share Charge has been enforced and transferred to independent third party(ies). As a result of the enforcement, the shareholding interests of Yang's Holdings Capital Limited in the Company was reduced.

Acquisition of 55.56% equity interest in Aji On Worldwide Holdings Company Limited

On 22 April 2016, the Company entered into the acquisition agreement with the Independent Third Party to acquire 55.56% equity interest in Aji On Worldwide Holdings Company Limited for a consideration of HK$13,000,000. Since the applicable percentage ratios of the acquisition is less than 5%, the acquisition did not constitute a disclosable transaction under Chapter 19 of the GEM Listing Rules. As at the date of this report, the acquisition has been completed.

Acquisition of 47.63% equity interest of Red 5 Studios, Inc.

On 28 April 2016, after trading hours, the Company entered into the acquisition agreement to acquire 47.63% equity interest of Red 5 Studios, Inc. for a total consideration of US$76,500,000. As at the date of this report, the acquisition has been completed. Please refer to announcement of the Company dated 28 April 2016 and 20 June 2016 for further details.

The Strategic Cooperation Framework Agreement

On 12 May 2016, after trading hours, the Company, Shanghai Asia Television Art Center and Red 5 Studios, Inc. entered into the Strategic Cooperation Framework Agreement, pursuant to which the parties agreed to have a long term strategic cooperation relationship in areas including but not limited to, (i) extension of the scope of applications of intellectual property in games; (ii) investments in movies and TV series; (iii) exchanges on culture and arts; (iv) investments in operations of the games and movies production base; (v) augmented reality/virtual reality of games; and (vi) investments in advertising-media management.

The Strategic Cooperation Framework Agreement merely provides a framework of cooperation between the parties. The terms of cooperation contemplated under the Strategic Cooperation Framework Agreement are subject to the terms of any definitive agreements which the parties may subsequently enter into from time to time. The Board wishes to emphasize that as at the date of this report, the parties have not entered into any legally binding agreements in relation to any specific strategic cooperation plans.

Please refer to announcement of the Company dated 12 May 2016 for further details.

Share Subdivision

On 6 June 2016, the Board proposed to subdivide every one (1) issued and unissued ordinary share of HK$0.01 each in the share capital of the Company into five (5) subdivided shares of HK$0.002 each, such that the authorized share capital of the Company is $100,000,000 divided into 50,000,000,000 shares with a par value of HK$0.002 each. The above share subdivision was approved by the Company's shareholders for the share subdivision at the extraordinary general meeting ("EGM") on 22 June 2016 and became effective on 23 June 2016.

3. FOR THE YEAR ENDED 31 MARCH 2015

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of L&A's annual report for the year ended 31 March 2015.

BUSINESS REVIEW

The Group principally derives its revenue from manufacturing and selling pure cashmere apparel and other apparel products under its two business arms: (i) OEM Business segment, which entails product design and development, raw material sourcing and procurement, manufacturing and product quality control management (the "OEM Business") and (ii) apparel retail business segment, which entails designing, procuring, manufacturing, marketing and retailing of pure cashmere apparel and other apparel products as well as accessories through an established retail network in Hong Kong under the Group's proprietary trademarks, "*Casimira*" and "*Les Ailes*" (the "Retail Business").

For the OEM Business, over the year ended 31 March 2015, the Company noted a tough retail environment globally and experienced an unexpected weakened consumer sentiment. As a result, there was a decrease in pure cashmere products orders placed by our OEM customers. The sales orders of pure cashmere products from our largest customer decreased by 31.4% from approximately 420,000 units for the year ended 31 March 2014 to approximately 288,000 units for the year ended 31 March 2015. Although the total units sold to our largest customer increased by 4.2% to approximately 1,094,000 units, the total revenue from our largest customer decreased by 11.1% from approximately HK$276.0 million for the year ended 31 March 2014 to approximately HK$245.4 million for the year ended 31 March 2015.

On the other hand, due to the good quality of our products, we had successfully obtained more orders from our second largest customer. The revenue from our second largest customer increased from approximately HK$19.5 million for the year ended 31 March 2014 to approximately HK$36.4 million for the year ended 31 March 2015, representing a 86.5% growth.

In order to meet the increase in production at Huizhou factory, some machinery from the Ganzhou factory has been relocated to Huizhou factory. In addition, the Company has benefited from a resulting saving of logistic costs, streamlined production lines and more effective use of available space in its Huizhou factory.

For the Retail Business, we have opened 5 more retail outlets during the year ended 31 March 2015, located in Fortune Kingswood in Tin Shui Wai, Ma On Shan Plaza in Ma On Shan, Shatin Plaza in Shatin, AEON Store in Kowloon City and Sincere Store in Sheung Wan. On the other hand, 4 retail outlets were closed during the financial year, therefore, the total number of retail outlets increased from 10 as at 31 March 2014 to 11 as at 31 March 2015. The revenue from the Retail Business decreased from approximately HK$37.1 million for the year ended 31 March 2014 to approximately HK$31.6 million for the year ended 31 March 2015, due to the "Occupy Central" Movement which weakened the consumer spending in Hong Kong and the winter season in 2014 warmer than usual.

FINANCIAL REVIEW

The Group's revenue declined slightly from approximately HK$380.4 million for the year ended 31 March 2014 to approximately HK$350.4 million for the year ended 31 March 2015, representing a decrease of approximately 7.9%. The revenue of OEM Business decreased by approximately 7.2% to approximately HK$318.8 million for the year ended 31 March 2015 as compared to the year ended 31 March 2014. On the other hand, the revenue from Retail Business decreased by approximately 14.8% to approximately HK$31.6 million for the year ended 31 March 2015 as compared to the year ended 31 March 2014. For the OEM Business, the decrease in revenue was mainly due to a decrease in pure cashmere products sold by approximately 29.7% from 552,000 units to 388,000 units for each of the year ended 31 March 2014 and 2015 respectively. For each of the year ended 31 March 2014 and 2015, the Group sold approximately 149,000 units and 152,000 units from its Retail Business respectively. Although the Group experienced an increase in units sold from 67,000 units to 85,000 units in summer season when compared with last year, as the "Occupy Central" Movement weakened consumer spending in Hong Kong and the winter season in 2014 warmer than usual, the sales in winter season ,the normal peak season for retail business, decreased from approximately HK$27.5 million for the year ended 31 March 2014 to HK$21.3 million for the year ended 31 March 2015. Hence, it partially offset the increase in sales in summer season. The following table sets forth the breakdowns of the revenue of the Group by segment for each of the year ended 31 March 2014 and 2015:

	Year ended 31 March			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
OEM Business	318,812	91.0	343,387	90.3
Retail Business	31,574	9.0	37,058	9.7
	350,386	100.0	380,445	100.0

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped by 6.9% to approximately HK$288.3 million for the year ended 31 March 2015 as compared to the year ended 31 March 2014. The gross profit margin slightly decreased from approximately 18.6% for the year ended 31 March 2014 to approximately 17.7% for the year ended 31 March 2015. The gross prof it decreased by approximately 12.5% to approximately HK$62.1 million for the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Expenses

Selling and administrative expenses for the year ended 31 March 2015 were approximately HK$81.1 million (year ended 31 March 2014: approximately HK$61.3 million), representing an increase of approximately HK$19.8 million. It is mainly due to the Listing expenses of approximately HK$12.4 million incurred for the year ended 31 March 2015 (year ended 31 March 2014: nil) and the increase of employee benefits expenses such as directors' remuneration and staff salaries and allowances by approximately HK$6.1 million.

Loss for the year

The loss for the year ended 31 March 2015 was approximately HK$18.4 million. The profit for the year ended 31 March 2014 was approximately HK$7.1 million. The loss was mainly due to the Listing expenses of approximately HK$12.4 million incurred for the year ended 31 March 2015 (year ended 31 March 2014: nil and the increase of employee benefits expenses such as Directors' remuneration and staff salaries and allowances by approximately HK$6.1 million.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Group's bank borrowings is primarily for financing raw materials purchases. As at 31 March 2015, the Group had bank borrowings of approximately HK$38.6 million (31 March 2014: HK$67.6 million). The decrease was due to the repayment of tax loans and trust receipt loans.

As at 31 March 2015, the bank borrowings of the Group were secured and repayable within one year from the end of the reporting period based on the scheduled repayment dates set out in the loan agreements. The fixed rate tax loans carried interest at 4.50% per annum was fully repaid during the year (31 March 2014: 4.50% per annum). The variable rate bank borrowings carried interests at Hong Kong Best Lending Rate quoted by the lender plus 1.75% per annum or prevailing interest rate of the lender plus 1% per annum. The ranges of effective interest rates on borrowings are 4.23% to 6.75% per annum as at 31 March 2015 (31 March 2014: 4.01% to 6.75% per annum).

As at 31 March 2015, the Group had approximately HK$15.8 million in bank balance and cash (31 March 2014: HK$6.8 million).

On 10 October 2014, the Company was listed on the GEM of the Stock Exchange by way of placing and completed the placing of 100,000,000 shares of the Company (the "Shares") at placing price of HK$0.6 per share. The actual net proceeds from the issue of new Shares under the placing were approximately HK$41.5 million. The Directors believe that with the new capital from the placing of Shares on the GEM, the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Capital Commitments

The Group did not have any significant capital commitments as at 31 March 2015 (31 March 2014: approximately HK$0.2 million).

Future Plan for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this report of the Company, the Group did not have other plans for material investments and capital assets.

Gearing Ratio

As at 31 March 2015, the Group's gearing ratio was approximately 30.2% (31 March 2014: approximately 84.7%), based on total debt of approximately HK$38.8 million and total equity of approximately HK$128.6 million. The decrease is mainly attributable to the repayment of bank borrowings and amount due to the Directors, shareholders and related parties during the year ended 31 March 2015.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowing, finance lease obligation and amount due to the Directors, shareholders and related parties.

Charge over Assets of the Group

As at 31 March 2015, the Group had pledged deposits of approximately HK$6.1 million (31 March 2014: approximately HK$6.1 million). These deposits were pledged to banks to secure bank facilities granted to the Group. The Group also had motor vehicles acquired under finance leases. As at 31 March 2015, the carrying value of the motor vehicles held under finance leases was approximately HK$236,000 (31 March 2014: HK$477,000).

Significant Investments, Acquisitions and Disposals

Apart from the reorganization in relation to the listing of the shares of the Company, there were no significant investments held as at 31 March 2015, nor other material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2015.

Contingent Liabilities

As at 31 March 2015, the Group had no material contingent liabilities (2014: nil).

Foreign Exchange Risk

The Group settles the cost of production in Renminbi ("RMB") and Hong Kong dollars ("HK$") and most of the sales of the Group are settled in United States dollars ("US$") and others are denominated in HK$. Therefore, the Group is exposed to foreign exchange risks of both US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

Employees and Remuneration Policies

As at 31 March 2015, the Group had a total of 491 employees. The Group's staff cost for the year ended 31 March 2015 amounted to approximately HK$68.0 million. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In Hong Kong, the Group' s employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in various security insurance including social insurance prescribed by the Social Insurance Law of PRC (《中華人民共和國社會保險法》), and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

Retirement Benefits Plans

Particulars of retirement benefits plans of the Group as at 31 March 2015 are set out in note 31 to the consolidated financial statements.

In Hong Kong, the Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong).

Pursuant to the applicable PRC laws and regulations, the Group participates to contribute to various security insurance including social insurance and housing provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in future years.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Company's prospectus dated 30 September 2014 (the "Prospectus") with actual business progress for the year ended 31 March 2015.

Business plan as set out in the Prospectus	Progress up to 31 March 2015
Expansion of the Group's OEM Business	
Purchase of cashmere yarns	The fund has been used to purchase cashmere yarns for production.
Marketing and promotion activities	The Group met OEM customers regularly for exchange of new ideas in respect of fashion market trend and introducing the Group's craftsmanship in knitting.
Purchase of new production machineries	Some funds have been used to maintain the productivity of the existing machineries. The Group is reviewing the needs and timeframe for acquiring new production machineries, and is in the process of determining the specification of and identifying suitable production machineries.
Improving water quality systems	The Group is assessing the conditions of water quality system and reviewing the needs and timeframe for the improvement.
Expansion of the Retail Business	
Establish new Concession Stores or Free-Standing Stores	The Group has set up 3 Free-Standing Stores and 2 Concession Stores during the period. The Group is reviewing the needs and timeframe for establishing new retail outlets.
Brand promotional and marketing activities	The Group has placed various advertisements on buses, magazines and through television during the period. The Group is planning to escalate its marketing efforts by continuing existing advertising activities on a more extensive scale.
Upgrading ERP system	The Group is reviewing the timeframe for upgrading a new ERP system.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational Risk

The Group is exposed to the operational risk in relation to each business division of the Group. To manage the operational risk, the management of each business division is responsible for monitoring the operation and assessing the operational risk of their respective business divisions. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery and has established a whistleblower program, including communication with other departments and business divisions and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial Risks

The Group is exposed to the credit risk and liquidity risk.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of 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.

Liquidity Risk

The Directors has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. In this regard, the Directors consider that the Group's liquidity risk is effectively managed.

Use of Proceeds from the Placing of Shares

The net proceeds from the listing of the shares of the Company by way of placing on the GEM of the Stock Exchange ("Placing") were approximately HK$41.5 million, which was based on the final placing price of HK$0.6 per share after deducting the underwriting commission and actual expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the Placing from the date of listing, i.e. 10 October 2014 (the "Date of Listing"), to 31 March 2015 had been applied as follows:

	Adjusted use of proceed in the same manner and proportion as stated in prospectus	Planned amount utilised up to 31 March 2015	Actual utilised amount up to 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*
Expansion of the OEM Business	26,140	11,301	8,250
Expansion of the Retail Business	11,194	3,260	2,429
General working capital	4,118	4,118	4,118
Total	41,452	18,679	14,797

As disclosed in the Company's announcement dated 24 June 2015, the Board has utilised approximately HK$15 million of the net proceeds from the Placing to lower the interest expense of the Group. The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing marketing conditions to ascertain the business growth of the Group.

EVENTS AFTER THE REPORTING PERIOD

Share Subdivision

On 27 March 2015, the Board proposed to subdivide every one (1) issued and unissued ordinary share of HK$0.10 each in the share capital of the Company into ten (10) subdivided shares of HK$0.01 each, such that the authorized share capital of the Company is $100,000,000 divided into 10,000,000,000 shares with a par value of HK$0.01 each. The above share subdivision was approved by the Company's shareholders for the share subdivision at the extraordinary general meeting ("EGM") on 20 April 2015 and became effective on 21 April 2015.

Memorandum of Understanding in Relation to a Proposed Acquisition

(a) On 17 April 2015, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party to explore the possibility of participating in a children's apparel retail business in the PRC (the "Proposed Acquisition"). Upon execution of the MOU, the Company amongst others, will have a legally binding six months exclusivity to negotiate with the counter party or such date that the parties may mutually agree, as well as legal obligations to maintain confidentiality of the Proposed Acquisition.

(b) On 29 May 2015, the Company entered into another MOU, with an independent third party which intends to secure its globally recognized fashion apparel retail business and operate its business in multiple cities in the PRC (the "Proposed Investment"). The Company is interested in participating in the Proposed Investment and is willing to explore various opportunities of the Proposed Investment with the counter party. Upon execution of the MOU, the Company amongst others, will have a legally binding six months exclusivity to negotiate with the counter party or such date that the parties may mutually agree, as well as legal obligations to maintain confidentiality of the Proposed Investment.

4. FOR THE YEAR ENDED 31 MARCH 2014

Set out below is a reproduction of the text of discussion and analysis covering all matters set out in paragraph 32 of Appendix 16 of the Listing Rules contained in the section headed "FINANCIAL INFORMATION" of L&A's prospectus dated 30 September 2014.

DESCRIPTION OF THE MAJOR COMPONENTS OF THE RESULTS OF OPERATION OF THE GROUP

Revenue

The Group's revenue is principally derived from its two operating segments, namely, (i) the OEM Business which is the manufacturing and sales of OEM garment products to the Group's OEM customers; and (ii) the apparels retail segment (or the Retail Business) which is the retailing of garment products to its retail customers. The Group's revenue increased from approximately HK$374.1 million for the year ended 31 March 2013 to approximately HK$380.4 million for the year ended 31 March 2014. The Group's sales is generally affected by the customers' demand and average selling prices of the products.

Revenue by operating segment

The following table sets out the Group's revenue by operating segment for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
OEM Business	352,358	94.2	343,387	90.3
Retail Business	21,729	5.8	37,058	9.7
	374,087	100.0	380,445	100.0

Revenue derived from the Group's OEM Business amounted to approximately HK$352.4 million and HK$343.4 million for the years ended 31 March 2013 and 2014, respectively, whereas revenue derived from the Group's Retail Business amounted to approximately HK$21.7 million and HK$37.1 million for the years ended 31 March 2013 and 2014, respectively. The Group's total revenue derived from the sales under the OEM Business and the Retail Business accounted for approximately 94.2% and 5.8% for the year ended 31 March 2013, respectively, and approximately 90.3% and 9.7% for the year ended 31 March 2014, respectively.

Revenue derived from the Group's OEM Business

Revenue from the Group's OEM Business was derived from the manufacturing and selling of women's, men's and children's Pure Cashmere Apparel and Other Apparel to the Group's OEM customers, which are mostly international reputable apparel brand owners and chain department stores headquartered in the US and Europe selling their products under their own private labels worldwide. Revenue from the sale of goods is recognised when the goods are delivered to the Group's customers and titles have passed.

Revenue from the Group's OEM Business amounted to approximately HK$352.4 million and HK$343.4 million for the years ended 31 March 2013 and 2014, respectively, representing approximately 94.2% and 90.3% of the Group's total revenue in the respective year. The Group generates most of its revenue from OEM customers located in the US during the Track Record Period and revenue generated from the Group's largest customer amounted to approximately HK$333.9 million and HK$276.0 million for the years ended 31 March 2013 and 2014, representing approximately 94.7% and 80.4% of the Group's total revenue from its OEM Business. For details of the Group's largest customer, please refer to the section headed "Business — Customers of the Group — About the Group's largest customer — Customer J" in this prospectus.

Revenue derived from the Group's Retail Business

For the years ended 31 March 2013 and 2014, the Group's revenue from its Retail Business amounted to approximately HK$21.7 million and HK$37.1 million, respectively, representing approximately 5.8% and 9.7% of the Group's total revenue in the respective year. Revenue from the Group's Retail Business was derived from the sale of Pure Cashmere Apparel and Other Apparel under the Group's proprietary trademarks "*Casimira*" and "*Les Ailes*" through its established network of retail shops located in Hong Kong. For details of the Group's trademarks, please refer to the section headed "Business — Intellectual Property Rights" in this prospectus. As at the Latest Practicable Date, the Group had a network of 12 retail shops comprising 6 Concession Stores and 6 Free-Standing Stores, spanning 11 communities throughout Hong Kong Island, Kowloon and New Territories. For details of the locations of the Group's retail shops, please refer to the section headed "Business — Sales, Distribution and Marketing — Retail sales and distribution network" in this prospectus.

The Group's revenue generated from its Retail Business increased from approximately HK$21.7 million for the year ended 31 March 2013 to approximately HK$37.1 million for the year ended 31 March 2014, representing an increase of approximately 70.5%. Such significant increase was primarily attributable to the Group's successful marketing campaigns and its strategic selection of store locations. Gross profit of the Retail Business also increased by approximately HK$5.4 million, or 102.5%, from approximately HK$5.3 million to approximately HK$10.7 million during the Track Record Period, whereas gross profit margin increased from approximately 24.4% to approximately 28.9% for the same period due to higher retail prices for the Group's products. Most of the Group's retail stores recorded profitable results during the Track Record Period. For details on the profitability of each retail store of the Group during the Track Record Period, please refer to the paragraph "Retail sales and distribution network" in the "Business" section of the prospectus. Despite the improved performance, the Retail Business reported overall loss during the Track Record Period after taking into account the overheads. Losses in the Retail Business were approximately HK$4.5 million and HK$0.3 million for the two years ended 31 March 2014. Losses were reduced for the year ended 31 March 2014 due to (i) improved strategies in selecting store type and location, (ii) adjustments in marketing and advertising campaigns and (iii) an increased scale of operations to cover the overhead cost.

Sales quantities and average selling price by operating segment

The following table sets out the total sales quantities (excluding sale of prototypes) by operating segment for the years indicated:

	Year ended 31 March			
	2013		2014	
	Units sold '000	*%*	*Units sold '000*	*%*
OEM Business				
— Pure Cashmere Apparel	614	44.2	552	33.7
— Other Apparel	675	48.6	937	57.2
Sub-total	1,289	92.8	1,489	90.9
Retail Business				
— Pure Cashmere Apparel	29	2.1	41	2.5
— Other Apparel	71	5.1	108	6.6
Sub-total	100	7.2	149	9.1
Total	1,389	100.0	1,638	100.0

For the Group's OEM Business, the total sales quantities (excluding sale of prototypes) has increased from approximately 1,289,000 units for the year ended 31 March 2013 to approximately 1,489,000 units for the year ended 31 March 2014, representing an increase of approximately 15.5% compared to the previous year, which was primarily attributable to an increase in sale of merino wool apparel products. For the Group's Retail Business, the total sales quantities has increased from approximately 100,000 units for the year ended 31 March 2013 to approximately 149,000 units for the year ended 31 March 2014, representing an increase of 49.0% compared to the previous year. Such increase was primarily attributable to (i) the Group's successful marketing campaign for its Own Brand Products; and (ii) the Group's strategy of expanding its Retail Business in an attempt to reduce the Group's reliance on its major OEM customers. As a result of the above, the total sales quantities (excluding sales of prototypes) of the Group has increased from approximately 1,389,000 units for the year ended 31 March 2013 to approximately 1,638,000 units for the year ended 31 March 2014, representing an increase of approximately 17.9% compared to the previous year.

The following table sets out the average selling price of the Group's OEM Products and Own Brand Products for the years indicated:

	Year ended 3 1 March	
	2013	**2014**
	HK$	*HK$*
OEM Products *(Note 1)*	268.9	227.5
Own Brand Products *(Note 2)*	218.2	248.7
Overall	265.2	229.4

Notes:

1. The average selling price of the OEM Products represents the turnover derived from the OEM Business (excluding sales of prototypes) divided by the total sales quantities (excluding sales of prototypes) of the OEM Business for the respective financial year.

2. The average selling price of the Own Brand Products represents the turnover derived from the Retail Business divided by the total sales quantities of the Retail Business for the respective financial year.

The selling price of the Group's OEM Products depends on a number of factors including (i) the reputation of the private labels of the OEM customers; (ii) the sophistication of product specifications; (iii) cost of raw materials; (iv) order volumes; and (v) lead time and labour costs required for processing of the order. Accordingly, the selling prices of the OEM Products vary significantly.

The selling price of the Group's Own Brand Products depends on a number of factors including (i) production costs; (ii) anticipated gross profit margin; and (iii) customer spending power and preferences. Accordingly, the selling prices of the Own Brand Products also vary significantly.

During the Track Record Period, the average selling price of the OEM Products decreased. This is primarily attributable to the strategy adopted by the Group to reduce its reliance on its major OEM customers by obtaining sales orders from other existing and new customers. The said sales orders were mainly for Other Apparel, which have a significantly lower average selling price than Pure Cashmere Apparel. Accordingly, the increase in sales of Other Apparel in the product mix of the OEM Products resulted in the decrease in its average selling price.

The average selling price of the Own Brand Products increased during the Track Record Period. The product quality of the Own Brand Products and the Group's marketing campaign has enabled the Group to build customer loyalty and brand awareness. Accordingly, the Group was able to raise the selling price of Own Brand Products.

Revenue by product type

The following table sets out the Group's revenue by product types for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
Pure Cashmere Apparel	289,983	77.5	247,191	65.0
Other Apparel	78,367	21.0	128,511	33.8
Revenue excluding prototype sales	368,350	98.5	375,702	98.8
Prototype sales *(Note)*	5,737	1.5	4,743	1.2
	374,087	100.0	380,445	100.0

Note: Prototypes include both Pure Cashmere Apparel and Other Apparel and are sample garments produced by the Group at the request of its OEM customers for which the Group receives a small fee.

Sales quantities and average selling price by product type

The following table sets out the total sales quantities (excluding sales of prototypes) by product types for the years indicated:

	Year ended 31 March			
	2013		**2014**	
	Units sold '000	*%*	*Units sold '000*	*%*
Pure Cashmere Apparel				
— OEM Business	614	44.2	552	33.7
— Retail Business	29	2.1	41	2.5
Sub-total	643	46.3	593	36.2
Other Apparel				
— OEM Business	675	48.6	937	57.2
— Retail Business	71	5.1	108	6.6
Sub-total	746	53.7	1,045	63.8
Total	1,389	100.0	1,638	100.0

Sales quantities (excluding sales of prototypes) of Pure Cashmere Apparel decreased from approximately 643,000 units for the year ended 31 March 2013 to approximately 593,000 units for the year ended 31 March 2014, representing a decrease of approximately 7.8% compared to the previous year. This was mainly attributable to a decrease in the sales of Pure Cashmere Apparel to the Group's major OEM customers to free up production capacity for the purchase orders placed by the Group's other existing and new OEM customers, which were mainly for Other Apparel. This is slightly offset by the increase in the sales of Pure Cashmere Apparel under the Retail Business as the Group increased its marketing efforts on the Retail Business.

Sales quantities (excluding sales of prototypes) of Other Apparel increased from approximately 746,000 units for the year ended 31 March 2013 to approximately 1,045,000 units for the year ended 31 March 2014, representing an increase of approximately 40.1% compared to the previous year. Both the Group's OEM Business and Retail Business experienced an increase in actual sales quantities as well as in the proportion of sales of Other Apparel for the year ended 31 March 2014 as compared to the previous year. The increase in sales quantities of Other Apparel from the Group's OEM Business was mainly due to an increase in sales orders placed by existing and new customers for merino wool apparels, which is in line with the Group's strategy of reducing its reliance on major OEM customers which mainly places purchase orders for Pure Cashmere Apparel. As a result of successful marketing campaign for its Own Brand Products, sales quantities of Other Apparel from the Group's Retail Business also increased for the year ended 31 March 2014.

The following table sets out the average selling price of the Group's Pure Cashmere Apparel and Other Apparel, excluding sales of prototypes, for the years indicated:

	Year ended 31 March	
	2013	2014
	HK$	*HK$*
Pure Cashmere Apparel	451.0	416.8
Other Apparel	105.0	123.0
Overall	265.2	229.4

Note: The average selling price represents the turnover (excluding sales of prototypes) for the financial year divided by the total sales quantities (excluding sales of prototypes) for the respective financial year.

The selling prices of the Pure Cashmere Apparel and Other Apparel depends on a number of factors including (i) the complexity of the product design; (ii) the quantity of an order; (iii) the delivery schedule set out by the customers; (iv) the price of raw materials; (v) the amount of raw materials used, determined by the weight of each product; and (vi) the level of capacity utilisation of the Group's production facilities. Accordingly, the selling prices of Pure Cashmere Apparel and Other Apparel vary.

During the Track Record Period, the average selling price of the Pure Cashmere Apparel has decreased as the Group was able to source cashmere yarns from certain PRC suppliers of a quality to the satisfaction of the OEM customers at a lower cost. The average selling price of Other Apparel has increased. This is primarily attributable to an increase in the sales of merino wool apparels in the product mix of Other Apparel, which has one of the highest prices among Other Apparel. As a result of an increase in the proportion of sales quantities of Other Apparel which has a comparatively lower average selling price and a decrease in the proportion of sales quantities of Pure Cashmere Apparel which has a comparatively higher average selling price, the overall average selling price of the Group's products has decreased during the Track Record Period.

Revenue by geographic location

The following table shows a breakdown of the Group's revenue by the geographical location of customers for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	%	*HK$'000*	%
USA	344,448	92.0	315,840	83.0
Hong Kong	26,122	7.0	42,942	11.3
Europe	1,813	0.5	17,868	4.7
Other countries *(Note)*	1,704	0.5	3,795	1.0
Total	374,087	100.0	380,445	100.0

Note: Other countries included Canada and Mexico.

The Group's sales to customers located in the United States, Hong Kong, Europe and other countries accounted for approximately 92.0%, 7.0%, 0.5% and 0.5% of the Group's total revenue for the year ended 31 March 2013, respectively, and approximately 83.0%, 11.3%, 4.7% and 1.0% of the Group's total revenue for the year ended 31 March 2014, respectively. During the Track Record Period, sales generated from the Group's OEM Business were mainly from OEM customers located in USA whereas sales generated from the Group's Retail Business were mainly from retail customers located in Hong Kong.

The Group's sales to customers located in (i) the United States decreased by approximately 8.3% or HK$28.6 million from approximately HK$344.4 million for the year ended 31 March 2013 to approximately HK$315.8 million for the year ended 31 March 2014; and (ii) Europe increased by approximately 885.5% or HK$16.1 million from approximately HK$1.8 million for the year ended 31 March 2013 to approximately HK$17.9 million for the year ended 31 March 2014. Such fluctuations are primarily due to the strategy adopted by the Group of reducing its reliance on its major OEM customers which are primarily located in the United States by obtaining sales orders from other existing and new customers which are primarily located in Europe.

The Group's sales to customers located in Hong Kong increased by approximately 64.4% or HK$16.8 million from approximately HK$26.1 million for the year ended 31 March 2013 to approximately HK$42.9 million for the year ended 31 March 2014, primarily due to the Group's successful marketing campaign for the Group's Own Brand Products, which resulted in an increase in the sales of the Group's Retail Business.

The Group's sales to customers located in other countries increased by approximately 122.7% or HK$2.1 million from approximately HK$1.7 million for the year ended 31 March 2013 to approximately HK$3.8 million for the year ended 31 March 2014, primarily due to an increase in purchase orders placed by a customer located in Canada.

Cost of sales

The Group's cost of sales amounted to approximately HK$306.3 million and HK$309.5 million for the years ended 31 March 2013 and 2014, respectively. Cost of sales primarily consists of cost of manufacturing, inventory movement and rental expenses of retail shops. Cost of manufacturing comprises of cost of raw materials, subcontracting fees, depreciation of property, plant and equipment, direct labour, and overhead and utilities.

Cost of raw materials include the cost of cashmere, other wool, linen and cotton yarns, cost of finished goods directly purchased from third party product suppliers and cost of accessories, including but not limited to buttons, zippers and labels. Subcontracting fees include the fees paid to PRC subcontractors for certain manufacturing procedures. Direct labour includes salaries of staff directly involved in the manufacturing process. Overhead and utilities include water and electricity, indirect labour costs, travelling expenses, testing fee, consumables, repair and maintenance expenses and other miscellaneous costs related to manufacturing.

The following table sets out the breakdown of the Group's cost of sales for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
Cost of raw materials	234,533	76.6	227,069	73.3
Subcontracting fees	14,291	4.7	39,327	12.7
Depreciation of property, plant and equipment	9,029	2.9	8,751	2.8
Direct labour	28,491	9.3	31,987	10.3
Overhead and utilities	9,520	3.1	8,872	3.0
Total cost of manufacturing	295,864	96.6	316,006	102.1
Inventory movement[1]	3,178	1.0	(17,767)	(5.7)
Rent — retail shops	7,227	2.4	11,283	3.6
Total cost of sales	306,269	100.0	309,522	100.0

Note:

(1) Inventory movement represents work-in-progress and finished goods as at the beginning of the year less work- in-progress and finished goods as at the end of the year.

Cost of raw materials amounted to approximately HK$234.5 million and HK$227.1 million for the years ended 31 March 2013 and 2014 respectively, representing approximately 76.6% and 73.3% of total cost of sales. Apart from raw materials inventory movement, raw materials purchase accounted for the major component of cost of raw materials. Raw materials purchased for use in the Group's manufacturing process during Track Record Period included pure cashmere, blended cashmere, merino wool, linen and cotton yarns. For the Retail Business, the Group's merchandising team also purchased a limited volume of finished apparel products produced by third party manufacturers located in the PRC, mostly men's apparel and accessories including jackets, buttoned up shirts and shoes. Raw materials purchase amounted to approximately HK$227.3 million and HK$241.1 million for the years ended 31 March 2013 and 2014 respectively. The following table shows a breakdown of the Group's purchases by types of materials or products for the years ended 31 March 2013 and 2014:

	Year ended 31 March 2013		**Year ended 31 March 2014**	
	HK$'000	*%*	*HK$'000*	*%*
Pure cashmere yarns	186,324	82.0	178,332	74.0
Other raw materials, finished apparel and accessory products produced by third party manufacturers	40,991	18.0	62,792	26.0
Total raw materials purchase	227,315	100.0	241,124	100.0

Pure cashmere yarn is the largest raw materials purchase for the Group's production amounting to approximately HK$186.3 million and HK$178.3 million for the two years ended 31 March 2013 and 2014 respectively, representing approximately 82.0% and 74.0% of total raw materials procurement, respectively. Other than pure cashmere yarn, the Group also procures other raw materials including blended cashmere and other types of yarns such as cotton, merino wool, linen and lycra as well as other accessories such as buttons, zippers, beads, viscose, packing materials and labels. The Group also purchases finished apparel and accessory items directly from other apparel suppliers for resale under the Group's Retail Business. The procurement of these other raw materials and finished apparel products and accessory items amounted to approximately HK$41.0 million and HK$62.8 million for the years ended 31 March 2013 and 2014 respectively, representing approximately 18.0% and 26.0% of total raw material procurement costs. Total purchase of raw materials increased from approximately HK$227.3 million for the year ended 31 March 2013 to approximately HK$241.1 million for the year ended 31 March 2014 which was in line with the increase in revenue for the year ended 31 March 2014.

By generally adopting a cost-plus pricing model as its pricing policy, the Group is able to pass any inflated costs of cashmere yarn and other raw materials onto its customers while maintaining a target gross profit margin in the form of a mark-up. When a customer gives an indication of a purchase order to the Group, the Group will source the suitable yarns according to the customer's specifications (except in the case of Customer J, who would designate the Group to purchase yarns from specific suppliers at pre-determined prices). The Group will then revert with a quotation reflecting the costs of yarns and other costs of production, together with a mark-up ranging from 7.5% to 29.3% during the Track Record Period, for customer confirmation. Under these logistics, cost fluctuations in cashmere yarn are always reflected in the quotation, such that any inflated costs in yarns will always be acknowledged and accepted by the customer before production commences. In the event of material price increases, the Group may recommend the customer to consider using blended cashmere (rather than pure cashmere) and other substitute materials to reduce production costs. Under these cases, the cost-plus model is also adopted for pricing the products. In any event, the Group would only proceed to transact with a customer if all elements within a price quotation are accepted by it.

The following table sets out the breakdown of the Group's cost of raw materials for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
Cost of raw materials				
– Cost of pure cashmere yarns	196,401	83.7	166,261	73.2
– Cost of other raw materials, finished apparel products and accessory items directly purchased from third party product suppliers	38,132	16.3	60,808	26.8
	234,533	100.0	227,069	100.0

The cost of raw materials decreased while the total quantity of products sold increased. This was mainly attributable to (i) a decrease in sale of Pure Cashmere Apparel, which has relatively higher material costs; and (ii) an increase in sale of Other Apparel, which has relatively lower material costs. The cost of raw materials decreased primarily due to the aforementioned change in the purchase mix of raw materials. The cost of finished goods directly purchased from third party product suppliers increased during the Track Record Period, which is in line with the increase in revenue from the Retail Business.

As pure cashmere yarns are the principal raw materials used by the Group in its products and cost of raw materials accounted for the majority of the Group's total cost of sales, fluctuations in the costs of pure cashmere could have a material impact on the Group's total costs of raw materials and therefore the cost of sales. A detailed sensitivity analysis on the impact of hypothetical fluctuations in the Group's average costs of pure cashmere yarns on its profit is set out in the section headed "Business — Sensitivity Analysis — Costs of Raw Materials" in this prospectus.

The Group subcontracted certain work processes to subcontractors, which were independent factories located in the PRC, to achieve production optimisation of the Group. When the Group experienced a shortage of capacity during peak seasons (most likely during second quarter of the Group's financial year) and/or the Group did not possess the suitable machinery or skilled labor to execute certain features of production (e.g., embroidery). Subcontracting fees incurred by the Group were approximately HK$14.3 million and HK$39.3 million for the years ended 31 March 2013 and 2014, respectively, representing approximately 4.7% and 12.7% of the total cost of sales of the Group. Subcontracting fees increased during the Track Record Period as the demand for Other Apparel increased. A larger portion of manufacturing processes for Other Apparel were outsourced to subcontractors because the Group generally strives to focus its production resources on those apparel which involves more expensive raw material (i.e., pure and blended cashmere) and which requires handling with greater care. Outsourcing also provides the flexibility to optimise production flow and resolve bottlenecks in the manufacturing process.

Direct labour costs amounted to approximately HK$28.5 million and HK$32.0 million for the years ended 31 March 2013 and 2014 respectively, representing approximately 9.3% and 10.3% of the total cost of sales of the Group. Direct labour costs increased during the Track Record Period as the average wage of manufacturing staff in the PRC increased. Fluctuations in the average labour costs would have an impact on the Group's total costs of sales and profit. A detailed sensitivity analysis on the impact of hypothetical fluctuations in the Group's average labour costs on its profit is set out in the section headed "Business – Sensitivity Analysis – Labour Cost" in this prospectus.

Inventory movement turned from positive to negative mainly due to an increase in closing inventories as at 31 March 2014 as compared to 31 March 2013. Please refer to the sub-section headed "Inventories" in this section for further details.

Gross profit and gross profit margin

Operating segment

The following table sets out the Group's gross profit and gross profit margin by operating segment for the years indicated:

	Year ended 31 March			
	2013		**2014**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*
OEM Business	62,524	17.7	60,205	17.5
Retail Business	5,294	24.4	10,718	28.9
	67,818	18.1	70,923	18.6

The Group's gross profit amounted to approximately HK$67.8 million and HK$70.9 million for the years ended 31 March 2013 and 2014, respectively.

Both the Group's gross profit and gross profit margin increased during the Track Record Period primarily due to the increase in the gross profit generated by the Retail Business and the increase in the proportion of sales generated from the Retail Business, which has a relatively higher gross profit margin than the OEM Business. The gross profit and gross profit margin of the OEM Business decreased slightly as the proportion of Other Apparel sold under the OEM Business for the year ended 31 March 2014 increased as compared to the previous year. Other Apparel generated a lower gross profit margin as compared with Pure Cashmere Apparel. The gross profit of the Retail Business increased during the Track Record Period. This is mainly due to an increase in the sale of Own Brand Products as a result of the Group's successful marketing campaign for its Own Brand Products. The gross profit margin of the Retail Business increased during the Track Record Period. The product quality of the Own Brand Products and the Group's marketing campaign has enabled the Group to build customer loyalty and brand awareness. Accordingly, the Group was able to raise the selling price of Own Brand Products. Notwithstanding the gross profit recorded by the Retail Business, the Retail Business reported segment losses of approximately HK$4.5 million and HK$0.3 million for the two years ended 31 March 2014 respectively. The reason for the segment loss for the Group's Retail Business was mainly due to the charging of the overhead costs amounting to approximately HK$4.6 million and HK$4.1 million for the two years ended 31 March 2014 respectively. Such overhead costs include advertising expenses and salary for staff of the sales & marketing department who were put in charge of the Group's overall retail sales and marketing activities etc. Losses were reduced in 2014 due to improvements in (i) mix of store types and locations, (ii) marketing and advertising strategies and (iii) an increased scale of operations to cover overhead cost.

Product type

The Group's product mix affects its financial performance as different products may have different gross profit margins, depending on factors such as the cost of raw materials, production costs, product positioning, pricing and marketing strategies.

The following table sets out the Group's gross profit and gross profit margin by product type for the years indicated:

	Year ended 31 March			
	2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Pure Cashmere Apparel	58,453	20.2	57,520	23.3
Other Apparel	9,666	12.3	13,720	10.7
Gross profit margin excluding prototype sales	68,119	18.5	71,240	19.0
Prototype sales *(Note)*	(301)	(5.2)	(317)	(6.7)
	67,818	18.1	70,923	18.6

Note: Prototypes include both Pure Cashmere Apparel and Other Apparel and are sample garments produced by the Group at the request of its OEM customers for which the Group receives a small fee.

The gross profit margin of Pure Cashmere Apparel increased as the Group was able to source cashmere yarns from certain PRC suppliers of a quality to the satisfaction of the OEM customers at a lower cost. Accordingly, gross profit of Pure Cashmere Apparel remained at similar levels despite a decrease in the quantity sold. The gross profit of Other Apparel increased as the orders placed by OEM customers for Other Apparel increased.

Although different customers requested different products from us and hence our cost structure was constantly affected by the change in the mix of products that we manufactured and the cost of raw materials and direct labour used for the manufacturing of products, our Group managed to maintain a steady cost-plus pricing model as demonstrated by the steady gross profit margins of approximately 18.1% and 18.6% for the years ended 31 March 2013 and 2014 respectively.

Other income

The Group's other income amounted to approximately HK$6.3 million and HK$4.6 million for the years ended 31 March 2013 and 2014, respectively. Other income mainly represented (i) claims received from customers for cancelled orders, which are charges to OEM customers for the full cost of unused raw materials purchased for orders that were later cancelled by OEM customers; (ii) rental income for the lease of a property located in Huizhou, PRC; (iii) bank interest income; and (iv) handling fees charged to customers.

Other gains and losses

The Group's other gains and losses amounted to approximately HK$2.3 million and HK$0.9 million for the years ended 31 March 2013 and 2014, respectively. Other gains and losses represented (i) gain on disposal of an investment property; (ii) gain on disposal of property, plant and equipment; (iii) change in fair value of investments held for trading; and (iv) gain on disposal of available-for-sale investments.

Selling and distribution expenses

The following table sets out the breakdown of the Group's selling and distribution expenses for the years indicated:

	Year ended 31 March			
	2013		**2014**	
	HK$'000	*%*	*HK$'000*	*%*
Salaries	3,755	21.8	6,046	28.8
Commission	3,383	19.6	3,763	17.9
Freight charge	3,305	19.2	4,637	22.1
Import duty	1,001	5.8	983	4.7
Travelling expenses	1,779	10.3	1,268	6.0
Entertainment expenses	3,036	17.6	1,232	5.9
Marketing expenses	940	5.5	702	3.3
Other selling and distribution expenses	30	0.2	2,371	11.3
	17,229	100.0	21,002	100.0

Selling and distribution expenses primarily consist of (i) salaries of sales and marketing staff; (ii) commission to agents of customers; (iii) freight charge; (iv) import duty; (v) travelling expenses; (vi) entertainment expenses; (vii) marketing expenses; and (viii) other selling and distribution expenses, which relate to depreciation of property, plant and equipment, transportation expenses, packing expenses and design fee.

The Group's total selling and distribution expenses were approximately HK$17.2 million and HK$21.0 million for the years ended 31 March 2013 and 2014, respectively. The Group's selling expenses and distribution as a percentage of turnover increased slightly from approximately 4.6% for the year ended 31 March 2013 to approximately 5.5% for the year ended 31 March 2014 which is mainly attributable to an increase in salaries and commission paid to sales and marketing staff. Additional sales and marketing staff were hired to staff the new retail shops opened during the year ended 31 March 2014 and for promoting and building brand awareness of the Own Brand Products.

Administrative expenses

The following table sets out the breakdown of the Group's administrative expenses for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
Audit fee	488	1.5	488	1.2
Bank charges	1,493	4.5	1,755	4.4
Donation	786	2.4	549	1.4
Salaries	15,134	46.1	16,802	41.7
Staff welfare	1,850	5.6	2,467	6.1
Insurance	526	1.6	636	1.6
Utilities	2,812	8.6	3,363	8.4
Rent and rates	1,010	3.1	1,021	2.5
Repair and maintenance	1,166	3.6	2,531	6.3
Motor vehicle expenses	1,733	5.3	1,969	4.9
Other tax expenses	316	1.0	950	2.4
Other administrative expenses	5,504	16.7	7,741	19.1
	32,818	100.0	40,272	100.0

Administrative expenses primarily consist of audit fee, bank charges, donation, salaries paid to administrative staff, staff welfare expenses, insurance, utilities expenses, rental expenses for the Hong Kong office, repair and maintenance, motor vehicle expenses, other tax expenses such as stamp duty, urban construction tax, education surtax expenses and embankment maintenance tax and other administrative expenses which mainly relates to office supplies, exchange difference, depreciation, professional fees and environmental protection expenses.

The Group's total administrative expenses were approximately HK$32.8 million and HK$40.3 million for the years ended 31 March 2013 and 2014, respectively. The Group's administrative expenses as a percentage of total turnover increased from approximately 8.8% for the year ended 31 March 2013 to approximately 10.6% for the year ended 31 March 2014 which is mainly attributable to (i) an increase in salaries paid to administrative staff due to the recruitment of additional senior management staff for facilitating the expansion plan to be carried out by the Group; (ii) an increase in repair and maintenance expenses; and (iii) an increase in other administrative expenses primarily due to an increase in the provision for social security charges.

Finance costs

The Group's finance costs represent interest expenses on (i) bank borrowings; (ii) obligations under finance leases; (iii) amounts due to related parties; and (iv) amount due to a controlling shareholder.

The following table sets out the breakdown of the Group's finance costs for the years indicated:

	Year ended 31 March			
	2013		2014	
	HK$'000	*%*	*HK$'000*	*%*
Interest expenses on:				
Bank borrowings wholly repayable within five years	3,132	86.6	3,526	89.1
Obligations under finance leases	55	1.5	43	1.1
Amounts due to related parties	399	11.0	360	9.1
Amount due to a controlling shareholder	32	0.9	2 9	0.7
	3,618	100.0	3,958	100.0

The Group's finance costs amounted to approximately HK$3.6 million and HK$4.0 million for the years ended 31 March 2013 and 2014, respectively.

Fair value change in structured bank deposit

The Group's fair value loss in structured bank deposit amounted to approximately HK$455,000 for the year ended 31 March 2014 (2013: nil). Fair value change in structured bank deposit primarily comprises loss arising from structured bank deposit when they are measured at their fair values. On 24 May 2013, the Group entered into a structured contract with a bank with a principal sum of RMB7.0 million (equivalent to approximately HK$8.8 million). For further details of the structured bank deposit, please refer to note 21 to the Accountants' Report in Appendix I to this prospectus. The fair value of the embedded derivative in the structured bank deposit is determined based on the mark to market valuation amount provided by the relevant bank.

Gain on disposal of a subsidiary

The Group's gain on disposal of a subsidiary amounted to approximately HK$815,000 for the year ended 31 March 2014 (2013: nil). During the year ended 31 March 2014, the Group disposed of a wholly-owned subsidiary, Kimpo International, to an independent third party at a consideration of RMB650,000 (approximately HK$830,000). The gain on disposal of Kimpo International is calculated based on the consideration received less the net assets of Kimpo International at the date of disposal. For further details of the disposal of Kimpo International, please refer to note 9 to the Accountants' Report in Appendix I to this prospectus.

Income tax expense

Income tax expense consists of current income tax and deferred income tax of the Group at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong and the PRC. The Group had no other tax payable in other jurisdictions during the Track Record Period. The following table sets forth a breakdown of the Group's taxation expenses for the years indicated:

	Year ended 3 1 March	
	2013	**2014**
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— current year	6,244	3,529
— overprovision in prior years	—	(12)
PRC Enterprise Income Tax (''EIT'')		
— current year	1,886	725
	8,130	4,242
Deferred tax	(10)	177
Total tax charge for the year	8,120	4,419

Under Hong Kong law, the Company's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the statutory Hong Kong corporate income tax rate of 16.5%.

Under the EIT Law, the Company's subsidiaries in the PRC are subject to PRC EIT at the statutory PRC corporate income tax rate of 25%.

The Group's income tax expense amounted to approximately HK$8.1 million and HK$4.4 million for the years ended 31 March 2013 and 2014, respectively. The Group's effective tax rate, which is calculated by dividing actual income tax expenses by profit before taxation, was approximately 35.7% and 38.5% for each of the years ended 31 March 2013 and 2014, respectively. The effective tax rates during the Track Record Period were higher than the Hong Kong and PRC tax rates due to certain non-deductible expenses for Hong Kong Profits Tax and PRC Tax purpose. The non-deductible expenses mainly represent certain machineries owned by Hong Kong subsidiaries but located in the PRC, with accounting depreciation expenses amounted to HK$6.8 million and HK$6.8 million for the year ended 31 March 2013 and 2014, respectively and other operating expenses of HK$11.9 million and HK$4.1 million for the year ended 31 March 2013 and 2014, respectively. As majority of the fixed assets owned by the Hong Kong subsidiaries were used by the PRC subsidiaries for manufacturing purpose, the Hong Kong subsidiaries were not allowed to claim any tax depreciation allowances for those assets in accordance with Section 39E of the Inland Revenue Ordinance.

The non-deductible expenses involving other operating expenses mainly consist of subcontracting charges incurred by a group company named Sun Dynamic, whose principal activities are investment holding but was previously contracting with outside manufacturing subcontractors based on specific requirements from customers and supervising the subcontractors' manufacturing process. Sun Dynamics generated minimal revenue of sub-contracting fee receivable from the Hong Kong group companies for such supporting work for the year ended 31 March 2013. As a result, a significant portion of the sub-contracting expenses cannot be offset by Sun Dynamic's revenue for the year ended 31 March 2013 and that Sun Dynamic has no revenue for the year ended 31 March 2014. In such situation, management considered that not all of Sun Dynamic's expenses incurred during the Track Record Period would be allowed as deductible expenses and carried forward as tax loss under the relevant tax rules in Hong Kong and PRC. The sub-contracting works incurred by Sun Dynamic during the Track Record Period are current being incurred by L & A Group of Companies and Times Asia, which are both Hong Kong companies of the Group, as part of a more efficient tax planning purposes.

The tax effect of these non-deductible expenses is HK$3.1 million and HK$1.8 million for the year ended 31 March 2013 and 2014, respectively, is included in the tax reconciliation table set out in note 10 to the Accountants' Report.

During the Track Record Period, there were no material VAT receivables not recoverable.

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2013 compared to year ended 31 March 2014

Revenue

The Group's revenue increased by approximately 1.7% or HK$6.4 million from approximately HK$374.1 million for the year ended 31 March 2013 to HK$380.4 million for the year ended 31 March 2014, which was primarily attributable to the significant increase in the Group's sales generated from the Retail Business which was partially offset by the decrease in revenue generated from the OEM Business during the same year.

The Group's revenue generated from its OEM Business decreased from approximately HK$352.4 million for the year ended 31 March 2013 to approximately HK$343.4 million for the year ended 31 March 2014, representing a decrease of approximately 2.5% compared to the previous year. This is primarily attributable to the strategy adopted by the Group to reduce its reliance on its major OEM customers by obtaining sales orders from other existing and new customers. The said sales orders were mainly for Other Apparel. Despite a significant increase in the quantity of Other Apparel sold, they have a significantly lower average selling price than Pure Cashmere Apparels.

The Group's revenue generated from its Retail Business increased from approximately HK$21.7 million for the year ended 31 March 2013 to approximately HK$37.1 million for the year ended 31 March 2014, representing an increase of approximately 70.5% compared to the previous year. Such increase was primarily attributable to (i) the Group's successful marketing campaign for its Own Brand Products; and (ii) the Group's strategy of expanding its Retail Business to reduce the Group's reliance on its major OEM customers.

Cost of sales

The Group's cost of sales increased by approximately 1.1% from approximately HK$306.3 million for the year ended 31 March 2013 to HK$309.5 million for the year ended 31 March 2014, which is in line with the Group's revenue growth over the same period. The increase in cost of sales was primarily due to (i) an increase of approximately 175.2% or HK$25.0 million in subcontracting fees; (ii) an increase of approximately 12.3% or HK$3.5 million in direct labour costs; and (iii) an increase of approximately 56.1% or HK$4.1 million in rental expenses for retail shops. This was partially offset by a decrease of approximately 3.2% or HK$7.5 million in cost of raw materials and a negative inventory movement.

Cost of raw materials accounted for approximately 79.3% and 71.9% of total cost of manufacturing for the years ended 31 March 2013 and 2014, respectively. Cost of raw materials decreased as the purchase mix of raw materials was adjusted to reflect (i) the decrease in the sales orders placed for Pure Cashmere Apparel, which has relatively higher material costs; and (ii) the increase in the sales orders placed for Other Apparel, which has relatively lower material costs.

Subcontracting fees represented approximately 4.8% and 12.4% of total cost of manufacturing for the years ended 31 March 2013 and 2014, respectively. Subcontracting fees increased during the Track Record Period as the demand for Other Apparel increased. A greater amount of the manufacturing processes for Other Apparel are outsourced to subcontractors because the Group, depending on the circumstances, may not have the capacity or capability to complete some of the manufacturing procedures. Outsourcing also provides the flexibility to optimise production flow and resolve bottlenecks in the manufacturing process.

Direct labour costs represented approximately 9.6% and 10.1% of total cost of manufacturing for the years ended 31 March 2013 and 2014, respectively. Direct labour costs increased during the Track Record Period due to an annual salary increment of the Group's PRC staff.

Inventory movement turned from a positive amount of approximately HK$3.2 million for the year ended 31 March 2013 to a negative amount of approximately HK$17.8 million for the year ended 31 March 2014. The negative inventory movement was mainly due to an increase in closing inventories as at 31 March 2014 as compared to 31 March 2013. Please refer to the sub-section headed "Inventories" in this section for further details.

Rental expenses for retail shops represented approximately 2.4% and 3.6% of cost of sales for the years ended 31 March 2013 and 2014, respectively. Rental expenses for retail shops increased during the Track Record Period as the Group opened three additional stores for the year ended 31 March 2014 and the rent of several stores is determined by turnover.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 4.6% or HK$3.1 million from approximately HK$67.8 million for the year ended 31 March 2013 to approximately HK$70.9 million for the year ended 31 March 2014 and the gross profit margin increased from approximately 18.1% for the year ended 31 March 2013 to approximately 18.6% for the year ended 31 March 2014. The gross profit and gross profit margin of the Group were primarily affected by the mix of OEM Products and Own Brand Products sold under the OEM Business and Retail Business, respectively. The increase in the Group's gross profit during the Track Record Period was primarily attributable to the increase in the gross profit generated by the Retail Business and the increase in gross profit margin was primarily attributable to the increase in the sale of Own Brand Products, which has a higher gross profit margin than OEM Products.

The gross profit and gross profit margin of the OEM Business decreased slightly as the proportion of sale of Other Apparel increased for the year ended 31 March 2014 and Other Apparel generated a lower gross profit margin as compared with Pure Cashmere Apparel.

The gross profit of the Retail Business increased by approximately HK$5.4 million or 102.5% from approximately HK$5.3 million for the year ended 31 March 2013 to approximately HK$10.7 million for the year ended 31 March 2014 whereas the gross profit margin of the Retail Business increased from approximately 24.4% for the year ended 31 March 2013 to approximately 28.9% for the year ended 31 March 2014. The gross profit of the Retail Business increased during the Track Record Period. This is mainly due to an increase in the sale of Own Brand Products as a result of the Group's successful marketing campaign for its Own Brand Products. The gross margin of the Retail Business increased during the Track Record Period. The product quality of the Own Brand Products and the Group's marketing campaign has enabled the Group to build customer loyalty and brand awareness. Accordingly, the Group was able to raise the selling price of Own Brand Products.

Other income

The Group's other income decreased by approximately 27.1% from approximately HK$6.3 million for the year ended 31 March 2013 to approximately HK$4.6 million for the year ended 31 March 2014, which was primarily attributable to the decrease in claims received from OEM customers for cancelled orders, which represents charges to customers for unused raw materials purchased for orders that were later cancelled by OEM customers. Fewer orders were cancelled by OEM customers during the year ended 31 March 2014.

Other gains and losses

The Group's other gains and losses decreased by approximately 63.1% from approximately HK$2.3 million for the year ended 31 March 2013 to approximately HK$0.9 million for the year ended 31 March 2014, which was mainly attributable to the recognition of a gain on disposal of an investment property amounting to approximately HK$1.5 million for the year ended 31 March 2013 (2014: nil).

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 21.9% or HK$3.8 million from approximately HK$17.2 million for the year ended 31 March 2013 to approximately HK$21.0 million for the year ended 31 March 2014. This was mainly attributable to an increase in salaries paid to sales and marketing staff. Additional sales and marketing staff were hired to staff the new retail shops opened during the year ended 31 March 2014 and for promoting and building brand awareness of the Own Brand Products.

Administrative expenses

The Group's administrative expenses increased by approximately 22.7% or HK$7.5 million from approximately HK$32.8 million for the year ended 31 March 2013 to approximately HK$40.3 million for the year ended 31 March 2014. The increase was mainly attributable to (i) an increase in salaries paid to administrative staff due to the recruitment of additional senior management staff for facilitating the expansion plan to be carried out by the Group; (ii) an increase in repair and maintenance expenses; and (iii) an increase in other administrative expenses primarily due to an increase in the provision for social insurance charges.

Finance costs

The Group's finance costs increased by approximately 9.4% or HK$0.3 million from approximately HK$3.6 million for the year ended 31 March 2013 to approximately HK$4.0 million for the year ended 31 March 2014. This was mainly attributable to an increase in interest expenses on the Group's bank borrowings. More financing was obtained from banks during the year ended 31 March 2014.

Fair value change in structured bank deposit

A loss of approximately HK$455,000 was recognised for the fair value change in structured bank deposit for the year ended 31 March 2014 (2013: nil). For further details of the structured bank deposit, please refer to note 21 to the Accountants' Report in Appendix I to this prospectus. The Group did not have a structured bank deposit for the year ended 31 March 2013.

Gain on disposal of a subsidiary

The Group's gain on disposal of a subsidiary was approximately HK$815,000 for the year ended 31 March 2014 (2013: nil). For further details of the disposal of Kimpo International, please refer to note 9 to the Accountants' Report in Appendix I to this prospectus. The Group did not dispose of any subsidiary for the year ended 31 March 2013.

Profit before taxation

The Group's profit before taxation decreased by approximately 49.5% or HK$11.3 million from approximately HK$22.7 million for the year ended 31 March 2013 to approximately HK$11.5 million for the year ended 31 March 2014, primarily due to an increase in selling and distribution expenses as well as an increase in administrative expenses as a result of the factors described above.

Income tax expense

The Group's income tax expenses decreased by approximately 45.6% or HK$3.7 million from approximately HK$8.1 million for the year ended 31 March 2013 to approximately HK$4.4 million for the year ended 31 March 2014, which was mainly due to a decrease in profit before taxation by approximately HK$11.3 million for the year ended 31 March 2014.

Net Profits and Net Profit Margins

During the Track Record Period, the Group recorded (i) a decrease in net profit from approximately HK$14.6 million for the year ended 31 March 2013 to approximately HK$7.1 million for the year ended 31 March 2014; and (ii) a decrease in the Group's net profit margins from approximately 3.9% for the year ended 31 March 2013 to approximately 1.9% for the year ended 31 March 2014.

The decreases in the Group's net profit and net profit margin were mainly due to the combined effect of (i) increases in selling and distribution expenses by approximately HK$3.8 million (HK$0.6 million increase for the Group's OEM Business and HK$3.2 million increase for the Group's Retail Business) attributable to (a) additional expenses on developing new OEM customers and (b) increased salaries and commissions paid to sales and marketing staff under the expansion of the Retail Business; and (ii) increases in administrative expenses by approximately HK$7.5 million (HK$8.0 million increase for the Group's OEM Business and HK$0.5 million decrease for the Group's Retail Business) mainly attributable to (a) salaries paid to administrative staff due to the recruitment of additional senior management staff for facilitating the expansion plan; (b) increased repair and maintenance expenses for office and machineries; and (c) increases in other administrative expenses primarily due to provisions for social insurance and housing provident fund charges.

Although the Group's net profit margin decreased from approximately 3.9% for the year ended 31 March 2013 to approximately 1.9% for the year ended 31 March 2014, the Group is able to maintain a stable gross profit margin under the cost-plus pricing model where cost fluctuations in cashmere yarn are always reflected in the quotation such that any inflated costs in yarns will always be acknowledged and accepted by the customer before production commences. The Group will closely monitor the costs associated with the Group's expansion plan to ensure that its selling and distribution expenses and administrative expenses generally increase in line with the increase in revenue.

The Company compiles an annual budget to cater for the Group's expansion plan and the costs associated with it. In controlling the costs, the Directors convene monthly internal meetings with the Group's financial controller to discuss the Group's financial performance which is benchmarked against the budget, including reasons for unusual cost increases in order to ensure that, costs would increase in a controlled manner corresponding to the expansion plan. Despite the decline in net profit due to increased costs during the Track Record Period, based on the Company's past experience with its major customers, the Directors are of the view that it may often take up to a few years' time to cultivate a new OEM customer before profitability of such customer reaches a reasonable level. After incurring initial costs for developing a new OEM client, the Group's subsequent operating costs for servicing such client would remain generally stable. Consequently, the net profit margin attributable to such customer is expected to pick up over time. In order to improve the Group's net profit margin in the future, the Group has plans to undertake the following measures (i) strive to secure more purchase orders from a newly engaged client over a shortened time frame ((for instance, by increasing communication between Group staff and the client to better understand its needs, thereby expediting pre-production workflow processes such as prototyping); and (ii) tightening cost control measures (for instance, by re-allocating human resources such that more clients can be serviced by a fewer number of staff, achieving greater economies of scale). Given the Group has secured the confidence of the newly acquired OEM customers during the Track Record Period, the Group is expecting increased orders from these newly acquired OEM customers and the Directors consider the outlook of the Group is good and improving. For further details of the outlook of the Group, please see sub-section headed "Recent Developments" in this section.

NET CURRENT ASSETS

The following table sets out details of the Group's current assets and current liabilities as at the respective financial position dates indicated:

	As at 31 March		As at 31 July
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Current assets			
Inventories	51,185	83,008	85,346
Trade and other receivables	21,842	23,456	47,652
Prepaid lease payments	112	113	113
Amount due from ultimate holding company	15,654	9,669	9,669
Amount due from a controlling shareholder	26,274	19,722	24,652
Amount due from related parties	2,409	627	534
Amount due from directors	13,998	2,332	4,647
Tax recoverable	14	3,080	3,859
Investments held for trading	—	365	365
Pledged bank deposits	14,883	6,055	6,055
Bank balances and cash	9,970	6,787	5,741
	156,341	155,214	1 88,633
Current liabilities			
Trade payables	13,369	6,336	18,717
Other payables and accrued expenses	14,702	18,437	23,849
Amount due to a controlling shareholder	10,248	5,030	6,375
Amount due to related parties	25,218	17,503	17,503
Amount due to directors	21,109	787	492
Tax payables	8,172	2,053	2,201
Obligations under finance leases	285	425	339
Bank borrowings	31,767	67,599	80,841
	124,870	118,170	1 50,317
Net current assets	31,471	37,044	38,316

The Group's net current assets position increased from approximately HK$37.0 million as at 31 March 2014 to approximately HK$38.3 million as at 31 July 2014, which was primarily attributable to (i) an increase in trade and other receivables of approximately HK$24.2 million primarily due to the seasonality nature of the Group's business, whereby turnover and correspondingly, trade receivables typically peaks between the months of June and October; (ii) increases in amount due from a controlling shareholder and directors of approximately HK$7.2 million; and (iii) an increase in inventories of approximately HK$2.3 million. This was partially offset by (i) an increase in bank borrowings of approximately HK$13.2 million; (ii) increases in trade payables and other payables and accrued expenses of approximately HK$17.8 million primarily due to the seasonality nature of the Group's business, whereby inventory and correspondingly, trade payables typically increases from February to July of each year and remains high throughout the rest of the year.

The Group's net current assets position increased from approximately HK$31.5 million as at 31 March 2013 to approximately HK$37.0 million as at 31 March 2014, which was primarily attributable to (i) an increase in inventories of approximately HK$31.8 million; (ii) a decrease in amount due to directors of approximately HK$20.3 million; (iii) a decrease in amount due to related parties of approximately HK$7.7 million; and (iv) a decrease in tax payables of approximately HK$6.1 million. This was partially offset by (i) an increase in bank borrowings of approximately HK$35.8 million; (ii) a decrease in the amount due from directors of approximately HK$11.7 million; (iii) a decrease in pledged bank deposits of approximately HK$8.8 million; and (iv) a decrease in the amount due from ultimate holding company of approximately HK$6.0 million.

The amounts due to a controlling shareholder, related parties and directors will be settled by cash. All outstanding amounts (i) due from ultimate holding company; (ii) due from/to a controlling shareholder; (iii) due from/to related parties; and (iv) due from/to directors will be fully settled prior to the Listing.

Inventories

Overview

The Group's inventories comprise of raw materials, work in progress and finished goods, net of allowance for obsolete and slow-moving inventories. Raw materials represented cashmere yarns, other wool yarns, linen yarns, cotton yarns and other ancillary raw materials such as buttons, zippers and labels. Work in progress represented semi-finished products currently under production either in the Group's own production facilities or those allocated to third-party manufacturers. Finished goods represented apparels produced in the Group's production facilities as well as apparel and accessories products purchased from third party manufacturers.

The Group's inventories accounted for approximately 32.7% and 53.5% of the Group's total current assets as at 31 March 2013 and 2014, respectively.

The following table sets forth a summary of the Group's inventory balances as at the respective financial position dates below.

	As at 31 March	
	2013	2014
	HK$'000	*HK$'000*
Raw materials	25,201	39,257
Work in progress	21,246	36,838
Finished goods	4,738	6,913
	51,185	83,008

The Group's inventories increased by approximately 62.2% or HK$31.8 million, from approximately HK$51.2 million as at 31 March 2013 to approximately HK$83.0 million as at 31 March 2014, primarily due to (i) a major customer requesting the purchase of a significant amount of cashmere yarns, which was delivered in March 2014, resulting in an increase in raw materials; (ii) an increase in work-in-progress for the production of Own Brand Products to meet the expected increase in demand from retail customers; and (iii) an increase in finished goods due to an increase in sales orders placed by OEM customers.

During the period from February to May for the years 2012, 2013 and 2014, inventory of the Group increased from HK$44.5 million to HK$85.9 million, HK$43.5 million to HK$77.9 million, and HK$50.0 million to HK$119.3 million, respectively.

Inventory management

The Group closely monitors its inventory and maintains them on a weighted average basis. In general, the Group purchases raw materials and other accessories based on OEM customers' purchase orders, actual and projected sales volume as well as anticipated fashion trends for its Retail Business. The Group will continue to actively monitor its inventory levels and seek to maintain a low level of inventory. The Group also maintains an inventory management policy whereby a full stock take is performed once per year and ensure the accuracy of stock-in and stock- out information on record. Throughout the year, the Group reviews the stock-taking records and performs inventory ageing analysis to ensure inventories are properly used and that there is no unnecessary accumulation of aged inventories.

As each OEM customer of the Group may provide different designs or adopt different designs inspired by the Group and/or specify its own preference for raw materials, the Group, in normal circumstances, sources raw materials and other accessories from its suppliers for production only after the customers have confirmed their orders and their specifications.

The Group maintains a certain level of inventory for various pre-selected styles of Own Brand Products based on projected sales volume and the anticipated fashion trends. Maintaining inventory for the Group's Retail Business is necessary as retail customers often require products that are immediately available and require delivery on short notice. Nevertheless, the Group would only maintain a relatively larger quantity of inventory for products that are expected to be popular or commonly accepted.

Inventory provision policies

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Management of the Group reviews its inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items primarily based on the latest invoice prices and current market conditions. The Group carries out an inventory review by performing an aging analysis at the end of the reporting period and making allowance for obsolete items. During the Track Record Period, allowance for obsolete and slow-moving inventories amounting to approximately HK$3.6 million and HK$1.4 million for the years ended 31 March 2013 and 2014, respectively, was made.

Inventory turnover days

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

	Year ended 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Average inventory turnover days	67	79

Note: Average inventory turnover days are computed by dividing the average of the beginning and ending inventory balance for the Track Record Period by cost of sales and then multiplying by 365 days.

The Group's average inventory turnover days were approximately 67 days and 79 days for the years ended 31 March 2013 and 2014, respectively. The increase in average inventory turnover days was primarily attributable to an increase in the Group's average inventories balance for the year ended 31 March 2014 as compared to the previous financial year as a result of (i) an increase in raw materials arising from a major customer requesting the purchase of a significant amount of cashmere yarns, which was delivered in March 2014; (ii) an increase in work-in-progress for the production of Own Brand Products to meet the expected increase in demand from retail customers; and (iii) an increase in finished goods due to an increase in sales orders placed by OEM customers.

As at 30 June 2014, (i) approximately HK$41.4 million, or approximately 49.8% of the Group's inventories balance as at 31 March 2014 had been subsequently used and sold; and (ii) approximately HK$15.3 million, or approximately 18.4% of the Group's inventories balance as at 31 March 2014 represents Own Brand Products manufactured with the excess manufacturing capacity during the production off-peak months of February and March 2014, for sale in the peak season (November 2014 to February 2015); and (iii) approximately HK$3.4 million, or approximately 4.2% of the Group's inventories balance as at 31 March 2014 represents sample yarns which would be used when customers place sample order; and (iv) approximately HK$4.9 million or approximately 5.9% of the Group's inventories balance represents the unused cashmere yarns arising from a major customer requisition.

Trade and other receivables

The following table sets out the Group's trade and other receivables balances as at the respective financial position dates indicated:

	As at 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Trade receivables	13,926	19,315
Deposits	1,018	978
Prepayments	1,129	1,737
Other receivables	5,769	1,426
	21,842	23,456

Trade and other receivables are initially recognised at fair value and thereafter stated as amortised cost, using the effective interest method, less any identified impairment losses. During the Track Record Period, the Group has made no impairment on trade and other receivables.

Deposits represented utilities deposits, rental deposits and deposits for purchases of raw materials. Prepayments mainly represented prepayments for purchases of raw materials. Other receivables mainly represented advances to certain subcontractors and suppliers, advance to staff for daily operation and value-added tax receivables.

The Group's trade and other receivables represented approximately 14.0% and 15.1% of the Group's total current assets as at 31 March 2013 and 2014, respectively.

The Group's trade and other receivables increased by approximately 7.4% or HK$1.6 million from approximately HK$21.8 million as at 31 March 2013 to approximately HK$23.5 million as at 31 March 2014. This was primarily attributable to an increase in the revenue from the Group's Retail Business from February to March 2014 as compared with the same period last year, which resulted in an increase in trade receivables.

The following table sets forth a summary of the Group's average trade receivables turnover days during the Track Record Period:

	Year ended 31 March	
	2013	**2014**
Average trade receivables turnover days	20	16

Note: Average trade receivables turnover days are computed by dividing the average of the beginning and ending trade receivables balance for the Track Record Period by revenue and then multiplying by 365 days.

The Group's average trade receivables turnover days decreased by approximately 4 days from approximately 20 days for the year ended 31 March 2013 to approximately 16 days for the year ended 31 March 2014. This was primarily attributable to the combined effect of (i) a decrease in the average trade receivables for the year ended 31 March 2014 as compared to the previous year; and (ii) earlier repayment of trade receivables by the OEM customers was achieved by more progressive liaison and follow up by the Group's staff.

The Group generally grants an average credit period of 30 to 60 days to its OEM customers. For Retail Business' customers, revenue comprises of cash, credit card sales and concessionaire sales, of which Retail Business' customers are entitled to return or exchange the products within seven days of making their purchases. The average trade receivables turnover days during the Track Record Period was shorter than the average credit period granted.

The following table sets out the aging analysis of the Group's trade receivable balances based on the invoice dates as at the respective financial position dates:

	As at 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
0 – 30 days	12,013	16,415
31 – 60 days	488	1,005
61 – 90 days	774	1,744
Over 90 days	651	151
	13,926	19,315

The following is an aging analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
31–60 days	1	11
61–90 days	774	1,744
Over 90 days	651	151
	1,426	1,906

The Company has not provided for impairment loss for the above trade receivables balances which were past due as at the end of each reporting date. These receivables were due from certain major customers with a good track record with the Group and no recent history of default. The Group closely monitors the credit quality of trade receivables and consider those trade receivables that were neither past due nor impaired to be of good credit quality with satisfactory settlement history.

As at 30 June 2014, approximately HK$17.6 million, or approximately 91.0% of the Group's trade receivables outstanding as at 31 March 2014 had been settled.

Tax Recoverable

Tax recoverable arises from the advance payment of provisional Hong Kong Profits Tax of L & A Group of Companies and Times Asia. The tax recoverable amount increased from HK$14,000 as at 31 March 2013 to approximately HK$3.1 million as at 31 March 2014 which was mainly attributable to an increase in provisional profits tax paid as a result of (i) a significant increase in Times Asia's tax assessable profit from approximately HK$4.0 million for the year ended 31 March 2012 to approximately HK$38.0 million for the year ended 31 March 2013; and (ii) provisional tax paid by L & A Group of Companies for the tax assessment year of 2013/14 after full utilization of its accumulated tax loss during the tax assessment year of 2012/13.

Structured bank deposit

The Group held a structured bank deposit with HSBC with a principal sum of RMB7,000,000 (equivalent to HK$8,844,000) at fair value through profit or loss. The structured bank deposit is a principal-protected yield enhancement bank deposit and contains an embedded derivative, which its return is determined by reference to the exchange rate of RMB against US$ and is held by the Group primarily for the purpose of gaining a higher return than a fixed rate return from the Group's deposits at HSBC meanwhile taking advantage on the expected appreciation of RMB by the Directors.

In assessing whether to invest in the structured bank deposit or other investment products, the Group has established a set of internal guidelines and control to adhere its investment policy. Before every investment decision is made, the Financial Controller will perform research and financial analysis on the potential investment. The Financial Controller will also evaluate the effects including expected return and risk brought by the potential investment to the overall financial healthiness of the Group and then prepare a potential investment memo and submit to the Directors for final approval.

Trade Payables

Trade payables are initially recognised at fair value and thereafter stated at amortised costs, using the effective interest method.

The Group's trade payables primarily represent payables to its third-party raw material suppliers, third-party product suppliers and subcontractors.

The Group's trade payables decreased by approximately 52.6% or HK$7.0 million from approximately HK$13.4 million as at 31 March 2013 to approximately HK$6.3 million as at 31 March 2014. The decrease in trade payables was primarily due to an increase in settlement of trade payables at the discretion of the Group to maintain good relationships with its suppliers.

The following table sets forth a summary of the Group's average trade payables turnover days for the years indicated:

	Year ended 31 March	
	2013	2014
Average trade payables turnover days	29	12

Note: Average trade payables turnover days are computed by dividing the average of the beginning and ending trade payables balance for the Track Record Period by cost of sales and then multiplying by 365 days.

The Group's average trade payables turnover days decreased by approximately 17 days from approximately 29 days for the year ended 31 March 2013 to approximately 12 days for the year ended 31 March 2014, which was primarily due to the combined effect of (i) a decrease in the average trade payables for the year ended 31 March 2014 as compared to the previous year; and (ii) earlier settlement of trade payables by the Group to its suppliers.

During the Track Record Period, credit periods granted by the Group's suppliers are generally in the range of 30 to 60 days. During the Track Record Period, the Group's average trade payable turnover days was shorter than the credit periods granted by the Group's suppliers.

The following table sets out the aging analysis of the Group's trade payables balances based on the invoice date as at the respective financial position dates:

	As at 31 March	
	2013	2014
	HK$'000	*HK$'000*
0 – 60 days	13,029	5,567
61 – 90 days	133	544
Over 90 days	207	225
	13,369	6,336

As at 30 June 2014, approximately HK$6.2 million, or approximately 97.8% of the Group's trade payables outstanding as at 31 March 2014 had been settled.

Other payables and accrued expenses

The following table sets out the Group's other payables and accrued expenses as at the respective financial position dates:

	As at 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Commission fee payable	3,136	1,638
Provision for social insurance	3,279	3,530
Subcontracting fee payable	1,165	5,577
Accrued staff salaries	2,445	2,281
Accrued rental expenses	579	1,256
Other payables and accrued expenses	4,098	4,155
	14,702	18,437

Commission fee payable represented commission payable to agents of customers. During the Track Record Period, the Group had engaged the services of three agents. These agents, who are Independent Third Parties, are involved in sourcing and export of garments for manufacturers from the PRC to countries such as US and Europe. The Group has been dealing with these agents ranging from 1 to 8 years. These agents provide various services, such as additional in-line inspections of the Group's products and other technical support services including recommendation on workflow, factory inspections to assist the Group's compliance with the its US or Europe customers' social responsibility protocols, and the provision of on-line shipment management services. Generally, the sourcing agents will issue debit note to the Group on a regular basis and the amount of payments is calculated with reference to the amount of time and costs incurred by the agent in delivering the services, or otherwise as a percentage of the invoiced amount of the goods shipped or managed by these agents. Provision for social insurance represented the amount of social insurance provision which the Group had not made for some of its employees in Hui Jia Knitters and Ganzhou Rise More. Please refer to the section headed "Business — Non-compliance" in this prospectus for further details. Subcontracting fee payable represented the amount payable to the Group's subcontractors for subcontracted work. Accrued staff salaries represented amount payable to the staff. Accrued rental expenses represented rental payable in relation to the Group's office and retail shops. Other payables and accrued expenses mainly represented value-added tax payables, payables on utilities and transportation expenses and receipt in advance from customers.

Other payables and accrued expenses increased by approximately 25.4% or HK$3.7 million from approximately HK$14.7 million as at 31 March 2013 to approximately HK$18.4 million as at 31 March 2014. Such increase was primarily due to an increase in subcontracting fee payable to the Group's subcontractors, which is in line with the increase in subcontracting fees.

Amount due from ultimate holding company

The amount due from ultimate holding company amounted to approximately HK$15.7 million and HK$9.7 million as at 31 March 2013 and 2014, respectively. Such amount represented temporary advances to Yang's Holdings and was non-trading in nature, unsecured, interest-free and repayable on demand. The maximum amount outstanding during the years ended 31 March 2013 and 2014 was approximately HK$15.7 million and HK$15.7 million, respectively. All of the outstanding amounts due from ultimate holding company is expected to be fully settled prior to the Listing.

Amount due from/to a controlling shareholder

The amount due from a controlling shareholder amounted to approximately HK$26.3 million and HK$19.7 million as at 31 March 2013 and 2014, respectively. Such amount represented temporary fund advances to Mr. Yang Wan Ho and was non-trading in nature, unsecured, interest- free and repayable on demand. The maximum amount outstanding during the years ended 31 March 2013 and 2014 was approximately HK$26.3 million and HK$26.3 million, respectively.

The amount due to a controlling shareholder amounted to approximately HK$10.2 million and HK$5.0 million as at 31 March 2013 and 2014, respectively. Such amount represented temporary advances from Mr. Yang Wan Ho and was non-trading in nature, unsecured and repayable on demand. Except for the amount of approximately HK$3.1 million and HK$2.7 million as at 31 March 2013 and 2014, respectively, which is interest bearing at the prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") less 1% per annum and the amount of approximately HK$1.5 million as at 31 March 2014, which is interest bearing at the prime rate quoted by HSBC less 2.85% per annum, the remaining balance was interest free.

On 25 September 2014, a dividend of HK$14.7 million was declared to Yang's Holdings of which HK$10.6 million was used to set off against the same amount due from Yang's Holdings as at 31 May 2014 and HK$4.1 million will be paid in cash generated from operations on or before 7 October 2014.

Amounts due from/to related parties

The amounts due from related parties amounted to approximately HK$2.4 million and HK$0.6 million as at 31 March 2013 and 2014, respectively, and mainly represented temporary advances to entities controlled by Mr. Yang Si Kit Kenny, Mr. Yang Si Hang, Mr. Yang Wan Ho and Ms. Chan Lo Mei (spouse of Mr. Yang Si Kit Kenny). All the amounts due from related parties were non- trading in nature, unsecured, interest-free and repayable on demand.

The amounts due to related parties amounted to approximately HK$25.2 million and HK$17.5 million as at 31 March 2013 and 2014, respectively, and mainly represented temporary advances from Ms. Yang Sze Man Salina (daughter of Mr. Yang Wan Ho) and Mr. Law Hing Fai (spouse of Ms. Yang Sze Man Salina) and entities controlled by Mr. Yang Si Kit Kenny, Mr. Yang Si Hang and Mr. Yang Wan Ho. All the amounts due to related parties were non-trading in nature, unsecured and repayable on demand. Amount due to Mr. Law Hing Fai of HK$5 million as at 31 March 2013 and 2014 was bearing fixed interest rate at 4% per annum, the remaining amount due to Mr. Law Hing Fai of HK$2 million and the amount due to Ms. Yang Sze Man Salina were bearing variable interest rate at the prime rate quoted by HSBC less 1% per annum. Except for the amounts due to Mr. Law Hing Fai and Ms. Yang Sze Man Salina, the remaining amounts due to related parties were interest-free.

All of the outstanding amount due from/to related parties is expected to be fully settled prior to the Listing.

Amounts due from/to Directors

The amounts due from Directors amounted to approximately HK$14.0 million and HK$2.3 million as at 31 March 2013 and 2014, respectively, and mainly represented temporary advances to Mr. Yang Si Hang and Mr. Yang Si Kit Kenny. All the amounts due from Directors were non- trading in nature, unsecured, interest-free and repayable on demand.

The amounts due to Directors amounted to approximately HK$21.1 million and HK$0.8 million as at 31 March 2013 and 2014, respectively, and mainly represented temporary advances from Mr. Yang Si Hang and Mr. Yang Si Kit Kenny. All the amounts due to Directors were non- trading in nature, unsecured, interest-free and repayable on demand.

All of the outstanding amount due from/to Directors is expected to be fully settled prior to the Listing.

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to satisfy working capital needs and capital expenditure requirements. During the Track Record Period, the Group's working capital needs and capital expenditure requirements have been generally financed through a combination of internally generated cash flows, bank borrowings and advances from a controlling shareholder, ultimate holding company and the Directors. Going forward, the Directors expect to fund the Group's working capital, capital expenditures and other capital requirements with a combination of sources, including but not limited to internally generated cash flows, bank borrowings and equity financing.

Cash flows

The following table sets forth selected cash flows data from the Group's combined statements of cash flows during the Track Record Period:

	Year ended 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	30,333	(25,752)
Net cash (used in)/generated from investing activities	(43,195)	24,557
Net cash generated from/(used in) financing activities	12,995	(1,819)
Net increase/(decrease) in cash and cash equivalents	133	(3,014)
Cash and cash equivalents at beginning of the year	10,009	9,970
Effect of foreign exchange rates, net	(172)	(169)
Cash and cash equivalents at end of the year	9,970	6,787

Net cash generated from/(used in) operating activities

The Group generates its cash inflow from operating activities principally from the receipt of payments for the sale of its products. The Group's cash outflow from operating activities is principally for the purchase of raw materials, subcontracting fees, staff and labour costs, rental expenses and other operating expenses.

For the year ended 31 March 2014, the Group recorded net cash used in operating activities of approximately HK$25.8 million while the Group's profit before tax for the same period was approximately HK$11.5 million. The difference of approximately HK$37.3 million was primarily attributable to (i) an increase in inventories of approximately HK$33.2 million for the year ended 31 March 2014 due to (a) an increase in raw materials arising from a major customer requesting the purchase of a significant amount of cashmere yarns, which was delivered in March 2014; (b) an increase in work-in-progress for the production of Own Brand Products to meet the expected increase in demand from retail customers; and (c) an increase in finished goods due to an increase in sales orders placed by OEM customers; (ii) a decrease in trade payables of approximately HK$7.0 million due to the earlier settlement of trade payables by the Group to its suppliers; and (iii) an increase in other payables and accrued expenses of approximately HK$3.5 million mainly due to an increase in subcontracting fee payable to the Group's subcontractors.

The negative operating cashflow incurred for the year ended 31 March 2014 was mainly due to a significant purchase of cashmere yarns from Supplier A made by the Group at Customer J's request in late 2013 and the Group would only purchase cashmere yarns in advance of receiving a purchase order from Customer J as there is reimbursement arrangement between Customer J and the Group for the unused yarns. The quantity of yarns purchased was determined by Customer J, based on its total projected orders to be placed with the Group over the year 2014. In anticipation of rising prices of cashmere yarns, Customer J requested the Group to secure a sizeable inventory, which as at the Latest Practicable Date has largely been consumed by the Group for production of cashmere apparels for Customer J. Generally, if there remains excessive cashmere yarns in the Group's inventory balance after filling all of Customer J's projected orders, or if Customer J ends up placing fewer orders than as projected, such that the purchased yarns are not fully consumed, the Group may use the remaining yarns for other OEM customers or for producing merchandise to be sold under the Retail Business, and the Directors confirm that no consent from Customer J is requited for such use of the remaining yarns. At the same time, the Group may request for a refund from Customer J of the full value of the unused yarns. Despite such refund mechanism is not set out in the purchase orders nor any agreement, it is a practice accepted by both the Customer J and the Group and has been supported by debit notes issued by the Group to Customer J in respect of the value of the unused yarns and payments made by Customer J in settlement of these debit notes and the Group has been able to obtain refund of the full value of unused yarns from Customer J since the implementation of such refund mechanism. As Customer J has been able to honour such reimbursement arrangement, the Directors are of the view that Customer J will continue to adhere to such arrangement to refund the value of the unused yarns which are purchased at Customer J's request in future at the request of the Group. Under such purchase arrangement, the ownership, risks and rewards of inventories are transferred to the Group upon delivery of the yarns, and the Group bears certain risks associated with the materials, including the losses in the event of any accidents which may cause damage to such inventory. In addition, the Group bears the cost of inventory management, such as delivery cost and costs associated with obsolete and damaged inventory items. According to Hong Kong Accounting Standard 18 — Revenue, the Group has exposure to the significant risks and rewards associated with the sales of goods and the purchase of raw materials. Therefore, the transactions with Customer J were accounted for as trading income of which the sales to Customer J were booked as revenue in gross basis and the related cost of sales were recognised in the combined income statement of the Group. The raw materials purchased pursuant to the such purchase arrangement were recognised as inventory in the combined statement of financial position during the Track Record Period. As at the Latest Practicable Date, the subsequent usage of inventories balance as at 31 March 2014 amounted to approximately HK$64.2 million, representing approximately 77.3% of the inventories balance of approximately HK$83.0 million as at 31 March 2014. As such, the Directors consider that the negative operating cashflow for the year ended 31 March 2014 is short-term in nature and does not signify any material adverse financial performance of the Group. The significant purchase of cashmere yarns by the Group for the year ended 31 March 2014 arose from particular circumstances that occurred at a particular point of time and may not be repetitive in future. The purchase of large quantities of the cashmere yarns during the year ended 31 March 2014, could easily be consumed by the Group to meet its seasonal delivery of cashmere apparels, upon which the Group is expected to receive cash receipts from customers that can be used to repay existing loans or working capital needs. In addition, the Group is able to raise new short-term trade loans from banks, which together with internally generated cash is sufficient to finance the Group's purchase of raw materials, capital requirements and debt repayment.

For the year ended 31 March 2013, the Group recorded net cash generated from operating activities of approximately HK$30.3 million while the Group's profit before tax for the same period was approximately HK$22.7 million. The difference of approximately HK$7.6 million was primarily attributable to (i) the adjustments made for depreciation of property, plant and equipment of approximately HK$9.9 million; and (ii) a decrease in trade payables of approximately HK$2.9 million mainly due to the earlier settlement of trade payables to suppliers.

Net cash (used in)/generated from investing activities

The Group's cash outflow from investing activities primarily consists of advances to directors, a controlling shareholder and related parties, the placement of pledged bank deposits and structured bank deposits and the purchase of property, plant and equipment. The Group's cash inflow from investing activities primarily consists of repayment from directors, related parties, ultimate holding company and a controlling shareholder and withdrawal of pledged bank deposits.

For the year ended 31 March 2014, the Group recorded net cash generated from investing activities of approximately HK$24.6 million primarily as a result of the combined effect of (i) cash generated from the repayment of amounts due from directors of approximately HK$13.7 million; (ii) cash generated from the withdrawal of pledged bank deposits of approximately HK$8.9 million which was subsequently placed in a structured bank deposit; (iii) cash generated from the repayment of amounts due from a controlling shareholder and ultimate holding company of approximately HK$6.6 million and HK$6.0 million, respectively; and partially offset by (i) the placement of structured bank deposit of approximately HK$8.9 million; and (ii) the purchase of property, plant and equipment of approximately HK$2.0 million.

For the year ended 31 March 2013, the Group recorded net cash used in investing activities of approximately HK$43.2 million primarily as a result of the combined effect of (i) advances to a controlling shareholder of approximately HK$14.2 million; (ii) advances to directors of approximately HK$14.0 million; (iii) placement of pledged bank deposits of approximately HK$11.8 million; and (iv) the purchase of property, plant and equipment of approximately HK$3.7 million.

Net cash generated from/(used in) financing activities

The Group derives its cash inflow from financing activities principally from bank borrowings, advance from directors, related parties and a controlling shareholder. The Group's cash outflow from financing activities relates primarily to the Group's repayment of bank borrowings and repayment to directors, related parties and a controlling shareholder and interest paid.

For the year ended 31 March 2014, the Group recorded net cash used in financing activities of approximately HK$1.8 million primarily as a result of the combined effect of cash generated from new bank borrowings of approximately HK$297.7 million to finance the Group's business operations and the payment of income tax, which is largely offset by (i) the repayment of bank borrowings of approximately HK$261.8 million upon the expiry of the term of the loans; (ii) repayment to directors, related parties and a controlling shareholder of approximately HK$21.1 million, HK$8.4 million and HK$7.2 million, respectively.

For the year ended 31 March 2013, the Group recorded net cash generated from financing activities of approximately HK$13.0 million primarily as a result of the combined effect of (i) cash generated from new bank borrowings raised of approximately HK$247.5 million; (ii) cash generated from advances from related parties and a controlling shareholder of approximately HK$13.5 million and HK$10.2 million, respectively; and partially offset by (i) the repayment of bank borrowings of approximately HK$256.0 million upon the expiry of the term of the loans; and (ii) the repayment to related parties of approximately HK$2.0 million.

SELECTED KEY FINANCIAL RATIOS

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

	As at 31 March	
	2013	**2014**
Net profit margin*(Note 1)*	3.9%	1.9%
Return on total assets*(Note 2)*	6.5%	3.1%
Return on equity*(Note 3)*	14.5%	6.5%
Current ratio*(Note 4)*	1.3	1.3
Quick ratio*(Note 5)*	0.8	0.6
Gearing ratio*(Note 6)*	88.4%	84.7%

Notes:

1. Net profit margin equals to profit for the year divided by revenue and multiplied by 100%.

2. Return on total assets equals to profit for the year divided by total assets and multiplied by 100%.

3. Return on equity equals to profit for the year divided by total equity and multiplied by 100%.

4. Current ratio is calculated by dividing total current assets by total current liabilities.

5. Quick ratio is calculated by dividing total current assets net of inventories by total current liabilities.

6. Gearing ratio is calculated by dividing total debt by total equity and multiplying by 100%. Total debt is defined to include amount due to a controlling shareholder, amounts due to related parties, amounts due to Directors, obligations under finance leases and bank borrowings.

Key financial ratios

Net profit margin

The Group's net profit margin decreased from approximately 3.9% for the year ended 31 March 2013 to approximately 1.9% for the year ended 31 March 2014. This was mainly due to an increase in the cost associated with the Group's planned expansion plan, including an increase in administrative expenses and selling and distribution expenses during the year ended 31 March 2014. For further details of the reasons of the drop in net profit margin, please refer to the paragraph headed "Net Profits and Net Profit Margins" in this section. Accordingly, profit for the year decreased for the year ended 31 March 2014.

Return on total assets

The Group's return on total assets decreased from approximately 6.5% for the year ended 31 March 2013 to approximately 3.1% for the year ended 31 March 2014. This was mainly due to a decrease in net profit for the year by approximately 51.7% from approximately HK$14.6 million for the year ended 31 March 2013 to approximately HK$7.1 million for the year ended 31 March 2014, and the increase in total assets by approximately 0.5% from approximately HK$225.9 million as at 31 March 2013 to approximately HK$227.0 million as at 31 March 2014.

Return on equity

The Group's return on equity decreased from approximately 14.5% for the year ended 31 March 2013 to approximately 6.5% for the year ended 31 March 2014. This was mainly due to an increase in total equity by approximately 7.7% from approximately HK$100.6 million as at 31 March 2013 to approximately HK$108.3 million as at 31 March 2014 as a result of profit generated during the year ended 31 March 2014.

Current ratio

The Group's current ratio remained the same at approximately 1.3 and 1.3 as at 31 March 2013 and 2014, respectively.

Quick ratio

The Group's quick ratio decreased from approximately 0.8 as at 31 March 2013 to approximately 0.6 as at 31 March 2014, primarily due to a significant increase in inventories as at 31 March 2014 attributable to a major customer requesting the purchase of a significant amount of cashmere yarns, which was delivered in March 2014. The quick ratio excludes the effect of the increase in inventories in current assets and therefore showed a decrease.

Gearing ratio

The Group's gearing ratio decreased from approximately 88.4% as at 31 March 2013 to approximately 84.7% as at 31 March 2014. This was mainly due to the increase in total equity arising from profit generated for the year ended 31 March 2014 which was slightly offset by the increase in total debt arising mainly from the increase in bank borrowings to finance the Group's business operations and the payment of income tax.

INDEBTEDNESS

The following table sets out the Group's secured bank borrowings, obligations under finance leases and unsecured amounts due to related parties and Directors as at the respective financial position dates:

	As at 31 March		**As at 31 July**
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Secured bank borrowings	31,767	67,599	80,841
Obligations under finance leases	569	840	692
Unsecured amounts due to related parties	25,218	17,503	17,503
Unsecured amounts due to Directors	21,109	787	492
	78,663	86,729	99,528

Secured bank borrowings

The following table sets out the breakdown of the Group's secured bank borrowings as at the respective financial position dates:

	As at 31 March		As at 31 July
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Trust receipt loans	28,918	50,726	62,793
Packing loans	2,849	5,310	11,059
Tax loans	—	11,563	6,989
	31,767	67,599	80,841

During the Track Record Period, the Group's trust receipt loans and packing loans were primarily for purchases of raw materials. The trust receipt loans were repayable within 120 days and interest-bearing at (i) Hong Kong Best Lending Rate +1.75% per annum for drawings in HK$; and (ii) the trade finance rate of the bank +1% per annum for drawings in foreign currencies. The packing loans were repayable within 90 days and interest-bearing at (i) Hong Kong Best Lending Rate +1.75% per annum for drawings in HK$; and (ii) the trade finance rate of the bank +1.00% per annum for drawings in foreign currencies.

The Group's tax loans were drawn for the payment of income tax of the Group and were repayable on a straight line basis by twelve equal monthly instalments and interest bearing at Hong Kong Best Lending Rate less 0.50% per annum.

The trust receipt loans of HK$28,918,000 and HK$40,052,000 as at 31 March 2013 and 2014, respectively, packing loans of HK$2,849,000 and HK$5,310,000 as at 31 March 2013 and 2014, respectively and tax loans of HK$11,563,000 as at 31 March 2014 were secured by:

- Debentures over all assets and undertakings of certain subsidiaries of the Company and certain related companies;
- Legal charge over certain properties owned by the controlling shareholder, certain directors and certain related companies;
- Pledged bank deposits of HK$14,883,000 and HK$6,055,000 as at 31 March 2013 and 2014, respectively and structured bank deposit of HK$8,389,000 as at 31 March 2014;
- Charge over certain plant and equipment with a carrying amount of HK$23,596,000 and HK$18,105,000 as at 31 March 2013 and 2014, respectively owned by a subsidiary;

- Unlimited guarantees from the controlling shareholder, certain directors and certain related companies;
- Life insurance policy entered into by a subsidiary; and
- Certain land use rights owned by a subsidiary.

The trust receipt loans of HK$10,674,000 as at 31 March 2014 were secured by:

- Guarantee by Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme;
- Guarantee by Hong Kong Mortgage Corporation Limited under the Small and Medium Enterprise Financing Guarantee Scheme; and
- Unlimited guarantee from the controlling shareholder and certain directors.

As at 31 July 2014, the Group's trust receipt loans of HK$53,228,000, packing loans of HK$11,059,000 and tax loans of HK$6,989,000 were secured by:

- Debentures over all assets and undertakings of certain subsidiaries of the Company and certain related companies;
- Legal charge over certain properties owned by the controlling shareholder, certain directors and certain related companies;
- Pledged bank deposits of HK$6,055,000 and structured bank deposit of HK$8,489,000 as at 31 July 2014;
- Unlimited guarantees from the controlling shareholder, certain directors and certain related companies; and
- Life insurance policy entered into by a subsidiary.

As at 31 July 2014, the Group's trust receipt loans of HK$9,565,000 were secured by:

- Guarantee by Hong Kong Mortgage Corporation Limited under the Small and Medium Enterprise Financing Guarantee Scheme; and
- Limited guarantee to HK$12,000,000 from the controlling shareholder and certain directors.

As at 24 September 2014, the Group has procured consent-in-principle from the relevant bank for its agreement to release all such guarantees and collateral security provided to the Group by its Controlling Shareholder, certain Directors and related parties upon Listing and it is expected that such release will take effect upon the Placing and replaced by corporate guarantees of the Group. All other key terms of the bank borrowings, including the banking facilities limits, loan period and interest rate, are expected to remain unchanged after the release of such guarantees.

As at the respective financial position dates, all bank borrowings were scheduled to be repaid within one year.

The bank borrowings carry interest at rates ranging from 4.06% to 6.75%, 4.01% to 6.75% and 4.01% to 6.75% per annum as at 31 March 2013, 31 March 2014 and 31 July 2014, respectively.

During the period from February to May for the years 2012, 2013 and 2014, the Group's bank borrowings also increased from HK$42.3 million to HK$84.4 million, HK$27.8 million to HK$81.0 million, and HK$52.0 million to HK$92.5 million, for the same periods, respectively.

Obligations under finance leases

The Group leased its motor vehicles under finance leases for a term of two (2) to three (3) years for the year ended 31 March 2013 and three (3) to five (5) years for the year ended 31 March 2014. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Details of the obligations under finance leases are disclosed in the paragraphs headed "Capital commitments" below.

Unsecured amounts due to related parties

The amounts due to related parties are unsecured, interest-free and repayable on demand, except for an amount of HK$5,000,000 which is interest bearing at a fixed rate of 4% per annum and an amount of HK$4,000,000 which is interest bearing at variable rate based on the prime rate quoted by HSBC less 1% per annum. The amounts due to related parties mainly represents advances provided by related parties for the purposes of operating funds of the Group which will be repaid by the Group prior to the Placing.

Unsecured amounts due to Directors

The amounts due to Directors are unsecured, interest-free and repayable on demand. The amounts due to Directors mainly represents advances provided by Mr. Yang Si Hang and Mr. Yang Si Kit Kenny for the purposes of operating expenses paid on behalf of the Group which will be repaid by the Group prior to the Placing.

Financial guarantee

The amounts of financial guarantees provided by the Directors are unlimited during the Track Record Period, details of which are set out in note 25 of the Accountants' Report set out in Appendix I to this prospectus.

As at 31 July 2014, being the latest date for the purpose of the indebtedness statement in this prospectus, there are no material covenants relating to the Group's outstanding debts.

Save as disclosed above, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 July 2014. The Directors further confirm that there has not been any material change in the Group's indebtedness position subsequent to 31 July 2014 up to the date of this prospectus.

CONTINGENT LIABILITIES

As at 31 March 2013 and 2014 and 31 July 2014, the Group did not have any material contingent liabilities.

OFF BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, the Group had not entered into any off-balance sheet arrangement.

CAPITAL EXPENDITURE AND COMMITMENTS

Historical capital expenditures

During the Track Record Period, the Group's capital expenditures consist mainly of purchase and deposit paid for the acquisition of property, plant and equipment of approximately HK$4.9 million and HK$2.3 million for the years ended 31 March 2013 and 2014, respectively. The Group primarily funded its capital expenditures through internal resources.

Planned capital expenditures

The Group expects that the future capital expenditures are mainly for the establishing new retail shops, purchasing of new knitting machineries, upgrading of the ERP system, and improving water quality system. The Group estimates that the capital expenditure will amount to approximately HK$5.5 million and HK$8.0 million for the years ending 31 March 2015 and 2016. The source of funding for these capital expenditures will mainly be the net proceeds raised from the Placing.

The Group's current plan with respect to future capital expenditures is subject to change based on the evaluation of its business plan, including expansion of its production capacities, market conditions and outlook on future business conditions. As the Group continues to expand, it may incur additional capital expenditure. The Group's ability to obtain additional funding in the future is subject to a variety of uncertainties including its future results of operations, financial condition and cashflows, economic, political and other conditions in the PRC and Hong Kong. Other than required by law, the Group not undertake any obligation to publish updates of its capital expenditure plans. Please refer to the section headed "Forward-looking Statements" in this prospectus.

Capital commitment

The Group had the following capital commitments as at the dates indicated:

	As at 31 March		As at 31 July
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	85	224	—

Operating lease commitment

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

	As at 31 March		As at 31 July
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	8,645	7,307	9,714
In the second to fifth year inclusive	6,367	1,905	1,629
	15,012	9,212	11,343

Operating lease payments represent rentals payable by the Group for its office and retail shops. Leases are negotiated for an average of two years. Rental for certain retail shops of the Group is calculated at the higher of a pre-agreed percentage of sales generated at the retail shops or the minimum lease payments specified in the lease agreement.

WORKING CAPITAL

Set out below is the details of the Group's financial obligations, totaling approximately HK$99.5 million, expected to be fulfilled after 31 July 2014, which is the latest practicable date for the Group's indebtedness statement, and before 31 March 2015:

- Repayment of bank borrowings, which were primarily for the purchase of raw materials, of approximately HK$80.8 million for the year ending 31 March 2015;
- Repayment of amount due to related parties of approximately HK$17.5 million;
- Repayment of amount due to Directors of approximately HK$0.5 million; and
- Repayment of obligations under finance leases of approximately HK$0.4 million.

The Group plans to meet its financial obligations as mentioned above using the following expected financial resources:

- Bank balances and cash as at 31 July 2014 amounting to approximately HK$5.7 million;
- Expected cash generated from the Group's operations for the two years ending 31 March 2014 and 2015;
- Expected repayment from a controlling shareholder of approximately HK$24.7 million before Listing;
- Expected repayment from ultimate holding company of approximately HK$9.7 million before Listing;
- Expected repayment from Directors of approximately HK$4.6 million before Listing;
- Expected repayment from related parties of approximately HK$0.5 million before Listing;
- Estimated net proceeds from the Placing of approximately HK$33.8 million, assuming a Placing Price of HK$0.5 per Placing Share, being the mid-point of the indicative Placing Price range of HK$0.4 to HK$0.6 per Placing Share; and
- Unrestricted unutilised banking facilities of approximately HK$63.0 million as of 31 July 2014.

As at 31 July 2014, L & A Group of Companies Limited and Times Asia Limited had unrestricted banking facilities granted consisting of (i) 2 trade related facilities in aggregate of HK$130 million for loan against import, trust receipts, packing credit, overdraft and other import/export related facilities; and (ii) tax loan facility in the amount of HK$13.8 million. Among the aforesaid facilities, the Group had utilized a total of HK$73.8 million of the trade related facilities and HK$7.0 million of the tax loan.

As advised by the Directors, the Group has not experienced any difficulty in obtaining credit facilities, and any withdrawal of facilities, defaults in payment of bank borrowings or breach of covenants, and cancellation of customer orders during the Track Record Period and up to the Latest Practicable Date.

The Directors are of the opinion that after taking into consideration the financial resources available to the Group including banking facilities and internal resources, and the estimated net proceeds from the Placing, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus. Based on the above factors and after taking into account that (i) the Directors' confirmation that the Group has not had any material default with regard to its trade or other payables or any bank borrowings, and has not breached any financial covenants in our bank borrowings during the Track Record Period; and (ii) the Directors' confirmation that during the Track Record Period and up to the Latest Practicable Date, the Group had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings, the Sponsor also concurs with the Directors' view that the Group has sufficient working capital for at least the next 12 months from the date of this prospectus.

LISTING EXPENSES

The Group's estimated total listing expenses (including underwriting commissions) incurred in relation to the Listing are approximately HK$16.2 million (assuming a Placing Price of HK$0.5 per Placing Share, being the mid-point of the indicated Placing Price range of HK$0.4 to HK$0.6 per Placing Share). In accordance with Hong Kong Accounting Standard 32, *Financial Instruments: Presentation*, expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses which do not relate to the issue of new shares are recognized in the consolidated statements of profit or loss and other comprehensive income as incurred. Expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange. The Group estimates that listing expenses of HK$11.4 million will be charged to its consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2015. The balance of approximately HK$4.8 million is expected to be deducted from its share premium account upon Listing. These listing expenses mainly comprise professional fees paid and payable to the Sponsor, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Placing. Given that the listing expenses of approximately HK$11.4 million would be charged to the consolidated statements of profit or loss and other comprehensive income upon Listing for the year ending 31 March 2015, it is expected that our net profit and the net profit margin for the year ending 31 March 2015 would be lower than that of the year ended 31 March 2014. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of the Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

Accordingly, the financial results of the Group for the year ending 31 March 2015 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expense is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2015 and the amount to be deducted from the Group's capital is subject to change.

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group regularly reviews and manages the capital structure in order to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group also makes adjustments to the capital structure in light of changes in economic conditions.

Further details on the Group's capital risk management are set out in note 32 to the Accountants' Report in Appendix I to this prospectus.

Financial risk management

The Group's major financial instruments include trade and other receivables, amount(s) due from (to) ultimate holding company/a controlling shareholder/related parties/directors, investments held for trading, pledged bank deposits, structured bank deposit, bank balances and cash, trade and other payables and bank borrowings.

The risks associated with these financial instruments include market risks (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 of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances, trade and other receivables and trade and other payables, amount(s) due from (to) ultimate holding company/a controlling shareholder/related parties/directors/pledged bank deposits, structured bank deposit, obligations under finance leases and bank borrowings of the Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group currently does 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:

	Year ended 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Assets		
HK$	25,734	20,167
RMB	3,183	8,411
Liabilities		
RMB	64,306	60,889

The Group exposes foreign currency risk on fluctuation of RMB and HK$ during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used which represents the management of the Group's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis does not include outstanding relevant monetary items denominated in HK$ as the Directors consider that the Group's exposure to HK$ is insignificant on the ground that HK$ is pegged to US$. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax profit where US$ strengthens 5% against RMB. For a 5% weakening of US$ against RMB, there would be an equal and opposite impact on the profit.

	Year ended 31 March	
	2013	**2014**
	HK$'000	*HK$'000*
Profit for the year	159	421

In the opinion of the management of the Group, the sensitivity analysis is not representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and certain amounts due to related parties carrying fixed interest rates. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to certain amount(s) due to controlling shareholder/related parties at variable interest rates, the floating-rate bank balance and bank borrowings at variable interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of prevailing rate quoted by the Hong Kong Best Lending Rate and prime rate quoted by HSBC.

The sensitivity analyses below have been determined based on the exposure to bank interest rates. The analysis is prepared assuming the interest-bearing bank borrowings, amounts due to related parties and amount due to a controlling shareholder outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used and represent the management of the Group's assessment of the reasonably possible change in interest rates for the years ended 31 March 2013 and 2014.

If interest rates on floating-rate interest-bearing bank borrowings, amounts due to related parties and amount due to a controlling shareholder had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year for the years ended 31 March 2013 and 2014 would decrease/increase by HK$194,000 and HK$321,000, respectively.

For the floating-rate interest-bearing bank balances, based on the sensitivity analysis, the Directors consider that the impact on profit or loss from changes in interest rates for both years is insignificant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade receivables and amount(s) due from ultimate holding company/a controlling shareholder/related parties/directors. In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

As at 31 March 2013 and 2014, the Group has concentration of credit risk as 80% and 64%, respectively, of the total trade receivable was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 83% and 75% of the total trade receivable as at 31 March 2013 and 2014, respectively. The management of the Group considered their the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on advances from related parties, including Directors and controlling shareholder as significant sources of liquidity.

The following table details the Group'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 can be required to pay. Specifically, bank loans 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 2013

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	4 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount at 31 March 2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade payables	—	11,867	1,300	202	—	13,369	13,369
Other payables	—	9,820	1,165	—	—	10,985	10,985
Amount due to a controlling shareholder							
— Non-interest bearing	—	7,170	—	—	—	7,170	7,170
— Variable rate	4.00	3,078	—	—	—	3,078	3,078
Amounts due to Directors	—	21,109	—	—	—	21,109	21,109
Amounts due to related parties							
— Non-interest bearing	—	16,218	—	—	—	16,218	16,218
— Variable rate	4.00	4,000	—	—	—	4,000	4,000
— Fixed rate	4.00	5,000	—	—	—	5,000	5,000
Obligations under finance leases	3.54	27	52	235	293	607	569
Bank borrowings							
— Variable rate	4.10	31,767	—	—	—	31,767	31,767
		110,056	2,517	437	293	113,303	113,265

As at 31 March 2014

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	4 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount at 31 March 2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities							
Trade payables	—	6,047	271	18	—	6,336	6,336
Other payables	—	13,914	—	—	—	13,914	13,914
Amount due to a controlling shareholder							
— Non-interest bearing	—	836	—	—	—	836	836
— Variable rate	3.34	4,194	—	—	—	4,194	4,194
Amounts due to Directors	—	787	—	—	—	787	787
Amounts due to related parties							
— Non-interest bearing	—	8,503	—	—	—	8,503	8,503
— Variable rate	4.00	4,000	—	—	—	4,000	4,000
— Fixed rate	4.00	5,000	—	—	—	5,000	5,000
Obligations under finance leases	2.36	40	81	333	438	892	840
Bank borrowings							
— Variable rate	4.31	56,036	—	—	—	56,036	56,036
Bank borrowings							
— Fixed rate	4.50	1 1,563	—	—	—	11, 563	11,563
		110,920	352	351	438	112,061	112,009

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2013 and 2014, the aggregate amounts of these bank loans amounted to HK$31,767,000 and HK$67,599,000, 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 loans will be repaid within one year after the end of the reporting period 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$32,036,000 and HK$69,380,000 as at 31 March 2013 and 2014, respectively.

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.

DIVIDEND AND DIVIDEND POLICY

During the years ended 31 March 2013 and 2014, no dividends were paid by the Group and no dividend has been declared. On 25 September 2014, a dividend of HK$14.7 million was declared to Yang's Holdings of which HK$10.6 million was used to set off against the same amount due from Yang's Holdings as at 31 May 2014 and HK$4.1 million will be paid in cash generated from operations on or before 7 October 2014.

The Company currently does not have a fixed dividend policy and may distribute 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 Company'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.

Investors should note that historical dividend distributions are not indicative of the Company's future dividend distribution policy. The Company does not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company had no distributable reserves available for distribution to the Shareholders.

Recent developments

The Group's business model, revenue and cost structure have remained unchanged since 31 March 2014.

Subsequent to 31 March 2014 and up to the Latest Practicable Date, the Group has continued to focus on diversifying customer orders and steering away from its reliance on the largest customer by proactively seeking to engage new OEM customers and identifying suitable locations to set up new retail outlets.

Financial performance for the four months ended 31 July 2014 — Based on the unaudited management accounts for the four months ended 31 July 2014, the Group's unaudited turnover for the four months ended 31 July 2014 was approximately 14.8% higher than that for the four months ended 31 July 2013. As at the Latest Practicable Date, the Group had sold and received firm orders for approximately 978,000 apparels in aggregate from April to September of 2014. Comparatively, the Group only sold approximately 793,000 and 828,000 apparels during the 6 months period from April to September of 2012 and 2013, respectively. Based on the increase in the aggregate of apparels sold and purchase orders with similar gross profit margin and credit terms from April to September of 2014, the Directors expect the Group to record an increase in revenue for the six months ended 30 September 2014 as compared to the same period of 2013. The Group's gross profit margin remained relatively stable for the four months ended 31 July 2014 as compared to that for the four months ended 31 July 2013. The Group's net profit for the four months ended 31 July 2014 (without taking into account the listing expenses) has improved as compared to that for the four months ended 31 July 2013.

Reliance on major customer — Customer J, a major customer of the Group, accounted for over 70% of its total revenue for the four months ended 31 July 2014. The high level of sales to Customer J during the first four months of the financial year was mainly due to Customer J's practice of placing orders early during the year. As at the Latest Practicable Date, the Group had sold and received firm orders from Customer J accounting for approximately 69.5% of expected revenue for the 6 months period from April to September of 2014. Other OEM customers are expected to account for approximately 25.3% of expected revenue, while the Retail Business is expected to account for the remaining 5.2% for the same 6 month-period from April to September of 2014.

Inventory and bank borrowings — The Group's bank borrowings, for the primary purpose of financing raw materials purchases with the use of trust receipts and packing loans, increased significantly after the Track Record Period from approximately HK$67.6 million as at 31 March 2014 to approximately HK$80.8 million as at 31 July 2014. The Group's inventories also increased from approximately HK$83.0 million as at 31 March 2014 to approximately HK$85.3 million as at 31 July 2014. The said increases are due to the seasonality nature of the Group's business, whereby the Group's inventory typically increases from February to July of each year and remains high throughout the rest of year as the Group focuses on production to meet delivery for OEM Business in September or October as these OEM clients begin receiving shipment to meet Thanksgiving and Christmas sales.

Listing expenses — The Group estimates that listing expenses of HK$11.4 million will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2015. The balance of approximately HK$4.8 million is expected to be deducted from our share premium account upon listing. For further details regarding the listing expenses, please refer to the paragraph headed "Listing expenses" in this section above.

Trade receivables — The Group has not experienced any issues related to bad debt, any material delays in the delivery of goods to its customers, any significant cancellations of purchase orders from its customers or material default by its customers in the settlement of any outstanding trade balance subsequent to the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, approximately 92.7% of the receivables outstanding as at 31 March 2014 were collected. Subsequent to 31 March 2014, the Group has granted extension of credit terms to some of its OEM customers for one to three months in view of the credit-worthiness of the OEM customers and long term customer relationships. Based on the subsequent settlements, repayment history and no significant change in the credit quality of these OEM customers, the Directors consider that the trade receivables with the extension of credit terms in the amount of approximately HK$1.4 million as at the Latest Practicable Date are fully recoverable and therefore no impairment allowance is necessary in respect of these trade receivables. Given the average trade receivables turnover days of 20 and 16 for the year ended 31 March 2013 and 2014, respectively, were shorter than the credit periods of 30 to 60 days granted by the Group to its OEM customers, and the Group had not experienced any material difficulties in collecting payments from its customer during the Track Record Period, the Directors are of the view that the extension of credit terms to some of its OEM customers has no material impact on the Group's working capital management. Please refer to the sub-section headed "Trade and other receivables" set out in the section headed "Financial Information" in this prospectus for more details on the trade receivables analysis.

The Directors confirm that the Group did not have any material non-recurring income or expenses for the four months ended 31 July 2014 save for certain expenses incurred in relation to the Placing.

The Directors have confirmed that there had been no event since 31 March 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, except as otherwise disclosed herein.

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

In connection with the Major Transaction, the unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Major Transaction on the QPL Group's financial position as at 30 April 2016.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on (i) the audited consolidated statement of financial position of QPL Group as at 30 April 2016 which has been extracted from the published annual report of the Company for the year ended 30 April 2016; (ii) information about the assets and liabilities of L&A Group as at 30 September 2016, which have been extracted from the interim report of L&A Group for the six months ended 30 September 2016 published on 14 November 2016.

The Directors have not been able to obtain access to any of the information of L&A to fulfil their responsibilities to compile the unaudited pro forma financial information in accordance with paragraph 29 of chapter 4 of the Listing Rules (including but not limited to, enquiry with the management of L&A, access to the relevant records and documents or any other necessary materials).

Accordingly, with the limited knowledge of how the acquiree applies its accounting policies, the Directors are of the opinion that they are unable to conclude as to whether the unaudited pro forma financial information reflects all material adjustments or whether the inclusion of the pro forma adjustments as set out in the unaudited pro forma financial information, based on information which is available to them, are not misleading in the context of the requirements as set out in paragraph 29 of chapter 4 of the Listing Rules. Taking account of these limitations, the unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the assets and liabilities of the Enlarged Group as if the Major Transaction had been completed on 30 April 2016.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Major Transaction that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, as well as the limitations described above, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the financial position of the Enlarged Group with the Major Transaction would have been upon completion of the Major Transaction as at 30 April 2016 or at any future dates.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of QPL Group and L&A Group as set out in appendices I and II to this circular, respectively and other financial information included elsewhere in this circular.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited pro forma consolidated statement of assets and liabilities

	QPL Group as at 30 April 2016	Pro forma adjustments: L&A Group as at 30 September 2016	Pro forma adjustments: Pro forma adjustment	Pro forma adjustments: Pro forma adjustment	Unaudited pro forma Enlarged Group as at 30 April 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)			
	Note (i)	*Note (ii)*	*Note (iii)*	*Note (iv)*	
Non-current assets					
Property, plant and equipment	17,516	15,930			33,446
Investment property	–	2,905			2,905
Prepaid lease payments	–	3,397			3,397
Loan receivables	–	35,000			35,000
Deferred tax assets	–	15			15
Intangible assets	–	11,221			11,221
Interest in an associate	–	464,542			464,542
Goodwill	–	7,936	(7,936)		–
	17,516	540,946			550,526
Current assets					
Inventories	31,930	21,241			53,171
Investments held for trading	84,214	–	(9,108)		75,106
Prepaid lease payments	–	93			93
Trade and other receivables	70,192	14,409			84,601
Deposits and prepayments	6,014	–			6,014
Loan receivables	–	50,000			50,000
Pledged bank deposits	–	14,211			14,211
Bank balances and cash	641,668	5,873		(2,040)	645,501
	834,018	105,827			928,697

	QPL Group as at 30 April 2016	L&A Group as at 30 September 2016	Pro forma adjustments: Pro forma adjustment	Pro forma adjustments: Pro forma adjustment	Unaudited pro forma Enlarged Group as at 30 April 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)			
	Note (i)	*Note (ii)*	*Note (iii)*	*Note (iv)*	
Current liabilities					
Trade and other payables	32,585	7,665			40,250
Deposits and accrued expenses	22,188	–			22,188
Amounts due to directors	–	1,161			1,161
Taxation payable	777	3,051			3,828
Bank and other borrowings	37,303	8,697			46,000
Obligations under finance leases	282	–			282
	93,135	20,574			113,709
Net current assets	740,883	85,253			814,988
Total assets less current liabilities	758,399	626,199			1,365,514
Non-current liabilities					
Obligations under finance leases	967	–			967
Deferred taxation	8,586	2,823			11,409
	9,553	2,823			12,376
Net assets	748,846	623,376			1,353,138

Notes:

(i) The assets and liabilities of QPL Group are extracted from the audited consolidated statement of financial position of QPL Group as at 30 April 2016, as set out in the annual report of QPL Group for the year ended 30 April 2016 published on 9 August 2016.

(ii) The assets and liabilities of L&A Group are extracted from the condensed consolidated statement of financial position of L&A Group as at 30 September 2016, as set out in the interim report of L&A for the six months ended 30 September 2016 published on 14 November 2016, on which no audit or review report has been published.

The Directors have not been able to obtain access to any of the information of L&A to fulfil their responsibilities to compile the unaudited pro forma financial information in accordance with paragraph 29 of chapter 4 of the Listing Rules (including but not limited to, enquiry with the management of L&A, access to the relevant records and documents or any other necessary materials). Accordingly, with the limited knowledge of how the acquiree applies its accounting policies, the Directors are of the opinion that they are unable to conclude as to whether the unaudited pro forma financial information reflects all material adjustments or whether the inclusion of the above pro forma adjustments, based on information which is available to them, are not misleading in the context of the requirements as set out in paragraph 29 of chapter 4 of the Listing Rules.

(iii) Upon the completion of the Major Transaction, L&A and its subsidiaries will then become subsidiaries of the Company. For the purpose of this pro forma financial information of the Enlarged Group and in accordance with Hong Kong Financial Reporting Standard 3 "Business Combination", the acquisition of L&A is accounted for as a business combination.

Pro forma gain on bargain purchase arising from the Major Transaction, as if the Major Transaction has been completed on 30 April 2016, is estimated as follows:

		HK$'000
Pro forma fair value of the consideration	*(Note (iii)(a))*	479,669
Fair value of the previously held interest in L&A Group by QPL Group	*(Note (iii)(a))*	9,108
Less: fair value of the net identifiable assets and liabilities of L&A Group	*(Note (iii)(b))*	(615,440)
Pro forma gain on bargain purchase		(126,663)

For the purpose of this unaudited pro forma financial information, assuming that the Major Transaction had taken place on 30 April 2016, based on the estimation by the Directors, an amount of HK$126,663,000 will be recognised for gain on bargain purchase upon the completion of the Major Transaction.

(a) The amount of HK$9,108,000 represented the fair value of the shares of L&A previously held by QPL Group which were classified as investments held for trading in the consolidated statement of financial position of QPL Group, to be derecognised upon consolidation of L&A Group.

The pro forma fair value of the consideration is estimated based on the Offer Document on the basis of 1 QPL Share for 25 L&A Shares. The number of QPL Shares to be issued pursuant to the Offers is determined after the share sub-division by L&A on the basis of 1 share for 5 sub-divided shares of L&A on 23 June 2016 (the "Share Sub-division"). However, for the purpose of the preparing of the unaudited pro forma financial information, the Major Transaction is assumed to be completed as of 30 April 2016 with market value reflecting only L&A Shares before the Share Sub-division, therefore, the pro forma fair value of the consideration is retrospectively adjusted on the basis of 1 QPL Share for 5 L&A Shares instead of 1 QPL Share for 25 L&A Shares, that is 3,997,240,000 L&A Shares outstanding at 30 April 2016 (excluding L&A Shares owned by QPL Group as of 30 April 2016) divided by 5 (share swap ratio before the Share Sub-division) and multiplied by HK$0.6 per QPL Share at 30 April 2016. The pro forma fair value of the consideration of the Major Transaction is subject to changes using the market price as at the actual date of completion of the Major Transaction.

L&A issued L&A Options on 22 July 2016. However, as there is no outstanding L&A Options as at 30 April 2016, for the purpose of preparing the unaudited pro forma financial information, it is assumed that no new QPL Shares will be issued pursuant to the Option Offer as if the Major Transaction had been completed on 30 April 2016.

(b) For the purpose of this unaudited pro forma financial information, it is assumed the pro forma fair value of L&A Group's identifiable assets and liabilities approximate their respective carrying amounts as at 30 September 2016 of which goodwill at the books of L&A Group will be eliminated when it does not constitute as an identifiable asset. Upon the completion of the Major Transaction, the fair values of the identifiable assets and liabilities of L&A Group will have to be reassessed at the date of completion of the Major Transaction which may be different from the pro forma fair value of the identifiable assets and liabilities used in the preparation of this unaudited pro forma financial information. Accordingly the final amounts of the identifiable assets and liabilities and the gain on bargain purchase arising from the Major Transaction at the actual date of completion will be different from the amounts stated herein.

(iv) This adjustment represents the estimated transaction costs of approximately HK$2,040,000 to be incurred directly attributable to the Major Transaction, including but not limited to legal and professional fees and after excluding costs incurred in issuance of QPL Shares as set out in note (iii).

(v) No adjustments have been made to the unaudited pro forma financial information to reflect any trading results or other transactions of QPL Group and L&A Group (including but not limited to any movement in L&A Shares and L&A Options) entered into subsequent to 30 April 2016.

The following is the text of the independent reporting accountants' assurance report on the compilation of unaudited pro forma financial information of QPL Group, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

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

To the Directors of QPL International Holdings Limited

We were engaged to conduct an assurance engagement to report on the compilation of pro forma financial information of QPL International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 April 2016 and related notes as set out on pages 111 to 115 of the circular issued by the Company dated 18 November 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 111 to 115 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the major acquisition in relation to voluntary conditional share exchange offers by the Company to acquire all the issued shares of L & A International Holdings Limited ("L&A") (other than those already owned by the Company and parties acting in concert with it) in exchange for new shares to be issued by the Company (the "Major Transaction") on the Group's financial position as at 30 April 2016 as if the Major Transaction had taken place at 30 April 2016. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 30 April 2016, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

Except for the inability to obtain sufficient appropriate evidence to provide a basis for our opinion as explained below, we conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

Because of the matter described in the Basis for Disclaimer of Opinion section of our report, however, we were not able to obtain sufficient appropriate evidence to provide a basis for our opinion.

Basis for Disclaimer of Opinion

As disclosed in note (ii) to the unaudited pro forma financial information, the directors of the Company have not been able to obtain access to any of the information of L&A to fulfil their responsibilities to compile the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules (including but not limited to, enquiry with the management of L&A, access to the relevant records and documents or any other necessary materials).

Accordingly, with the limited knowledge of how the acquiree applies its accounting policies, the directors of the Company are of the opinion that they are unable to conclude as to whether the unaudited pro forma financial information reflects all material adjustments or whether the inclusion of the pro forma adjustments as set out in the unaudited pro forma financial information, based on information which is available to them, are not misleading in the context of the requirements as set out in paragraph 4.29 of the Listing Rules.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for our opinion to determine whether:

(a) the basis stated in the unaudited pro forma financial information is consistent with the accounting policies of the Group; and

(b) the pro forma adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Accordingly, we do not express an opinion on the above criteria. In all other respects, in our opinion the unaudited pro forma financial information has been properly compiled on the basis stated.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 November 2016

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company, and certain information and opinions in respect of L&A Group contained or expressed in this circular have been extracted or summarised from public documents.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after completion of the Offers (assuming that save for the issue pursuant to the Offers, no new QPL Shares will be issued from the Latest Practicable Date to the completion of the Offers) is as follows:

Authorised capital:

15,000,000,000	QPL Shares (as at the Latest Practicable Date)
500,000,000	Limited Voting Preference Shares (as at the Latest Practicable Date)

Issued capital:

2,256,265,322	QPL Shares (as at the Latest Practicable Date)

To be issued under the Offers:

1,024,648,000	QPL Shares (to be issued under the Offers assuming the Offers are accepted in full by all of the L&A Independent Shareholders and the L&A Optionholders, and no L&A Options are exercised prior to the Closing Date)
1,031,448,000	QPL Shares (upon completion of the Offers assuming all outstanding L&A Options are exercised before the Closing Date, and the Share Offer is accepted in full (including all new L&A Shares issued and allotted as a result of the exercise of the L&A Options))

All QPL Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The new QPL Shares to be issued as consideration for the Offers will rank pari passu in all respects with the issued QPL Shares as at the date of allotment of such new QPL Shares under the Offers, including, among other things, the right to receive in full all dividends and other distributions after the date of issue of such new QPL Shares under the Offers.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

(i) Long positions in the QPL Shares or underlying QPL Shares

Name of Director	Nature of interests	Number of issued QPL Shares held	Approximate percentage of the issued share capital of QPL
Mr. Li Tung Lok	Personal interests	63,515,530	
	Family interests *(note a)*	900,000	
	Corporate interests *(note b)*	4,647,736	
		69,063,266	3.06%

Notes:

(a) The family interests of 900,000 QPL Shares represent the interest of the wife of Mr. Li Tung Lok.

(b) Mr. Li Tung Lok directly wholly owned Solar Forward Company Limited, which owns 4,647,736 QPL Shares.

(ii) Unlisted QPL Options of the Company

Name of Director	Number of unlisted QPL Options held	Approximate percentage of the issued share capital of the Company
Mr. Li Tung Lok	16,500,000	0.73%
Mr. Phen Hoi Ping, Patrick	5,000,000	0.22%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interests of substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the QPL Shares or underlying QPL Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the QPL Shares or underlying QPL Shares

Name of Shareholder	Capacity	Number of issued QPL Shares held	Approximate percentage of the issued share capital of the Company
中歐盛世資產管理（上海）有限公司 *(Note)*	Trustee	181,200,000	8.03%

Note: The information disclosed above is based on the disclosure of interests pursuant to Part XV of the SFO which is available on the website of the Stock Exchange (www.hkex.com.hk).

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at the Latest Practicable Date.

4. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of QPL Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of QPL Group which was not determinable by QPL Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive Director is the period up to his retirement by rotation in accordance with QPL's memorandum of association and Bye-laws.

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset since 30 April 2016, being the date to which the latest published audited consolidated financial statements of QPL Group were made up and up to the Latest Practicable Date, which had been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of QPL Group.

7. DIRECTORS' INTEREST IN CONTRACT

There was no contract or arrangement entered into by any member of QPL Group subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of QPL Group.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of QPL Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of QPL Group.

9. QUALIFICATION AND CONSENT OF EXPERT

(a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

(b) As at the Latest Practicable Date, the above expert did not have any shareholding in any member of QPL Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of QPL Group.

(c) The above expert has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their letters and references to their names in the form and context in which they appear respectively.

(d) As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets since 30 April 2016, being the date to which the latest published audited consolidated financial statements of QPL Group were made up, which had been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of QPL Group.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of QPL Group, were entered into by QPL Group within two years immediately preceding the Latest Practicable Date and which are or may be material:

(a) the placing agreement entered into between the Company and Astrum Capital Management Limited ("**Astrum**"), as the placing agent, dated 2 June 2015 pursuant to which the Company appointed Astrum, and Astrum conditionally agreed to place, on a best endeavour basis, to not less than six independent placees for up to 153,470,000 new placing shares at a price of HK$0.56 per placing share. The completion of the placing took place on 16 June 2015. Further details of the placing agreement are set out in the announcement of the Company dated 2 June 2015;

(b) the placing agreement entered into between the Company and Black Marble Securities Limited ("**Black Marble**"), as the placing agent, dated 7 January 2016 pursuant to which the Company appointed Black Marble, and Black Marble conditionally agreed to place, on a best effort basis, up to 875,000,000 placing shares at the placing price of HK$0.32 per placing share on behalf of the Company to not less than six placees who and whose ultimate beneficial owners are independent third parties. The completion of the placing took place on 7 April 2016 (the "**Placing**"). Further details of the placing agreement are set out in the announcement of the Company dated 7 January 2016; and

(c) the underwriting agreement entered into between the Company and Opus Capital Limited as the underwriter, dated 7 January 2016 in relation to the proposed issue by way of open offer of 1,151,054,435 offer shares to the qualifying shareholders on the basis of five offer shares for every one new share in issue held on the record date of 25 February 2016 at the subscription price of HK$0.32 per offer share, pursuant to which the underwriter conditionally undertook to underwrite the 1,151,054,435 offer shares (the "**Open Offer**"). Further details of the open offer are set out in the announcements of the Company dated 7 January 2016, 2 February 2016, 29 February 2016 and 5 April 2016, the circular of the Company dated 3 February 2016 and the prospectus of the Company dated 10 March 2016.

11. ADDITIONAL INFORMATION

As disclosed in the announcement of QPL dated 14 September 2016, QPL attempted to use the proceeds from the Open Offer and the Placing, being approximately HK$637 million, for (i) acquisition of land for the construction of a new factory; (ii) purchase of new machinery for the new factory; and (iii) construction of a new factory. As at the Latest Practicable Date, no concrete terms have been established nor have any legally-binding agreements been reached with any potential vendors of land for the construction of new factory. Therefore, QPL will continue to identify suitable land with favorable offer for the construction of new factory.

As disclosed in the announcement of QPL dated 14 September 2016 in relation to the expected timeline for the cash deployment of the total proceeds, and having considered (i) the delay in acquisition of land, (ii) the approximately HK$226.83 million which would not be utilized until the fourth quarter of 2017, (iii) the purpose of enhancing the effective allocation of the financial resources of QPL, and (iv) the interests of QPL and its shareholders as a whole, the Board resolved to change the proposed use of the HK$226.83 million for future possible short-term investment opportunities as identified by QPL from time to time. As at the Latest Practicable date, approximately HK$213.0 million has been used for the short-term investments. Once QPL identified and acquired a piece of land for the construction of new factory, it would allocate such HK$226.83 million proceeds back to its intended use.

12. MISCELLANEOUS

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at 8th Floor, Hale Weal Industrial Building, 22-28 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Appleby Management (Bermuda) Ltd., Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Mr. Wong Wai Man. Mr. Wong Wai Man is an associate member of the Hong Kong Institute of Certified Public Accountants.

(f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies are available for inspection at our principal place of business in Hong Kong at 8th Floor, Hale Weal Industrial Building, 22-28 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong during the normal business hours for 14 days from the date of the circular:

(a) the memorandum of association and Bye-laws of the Company;

(b) the annual reports of the Company for the three financial years ended 30 April 2014, 2015 and 2016;

(c) the unaudited pro forma financial information of QPL Group upon the completion of the Offers, the text of which is set out in Appendix IV to this circular;

(d) the independent reporting accountants' assurance report on the compilation of the unaudited pro forma financial information of QPL Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix V to this circular;

(e) the written consent of the expert referred to in the section headed "Qualification and Consent of Expert" in this appendix;

(f) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(g) this circular.

The following are the biographical details on the retiring Directors who have offered themselves for re-election at the QPL SGM.

Mr. Chu Chun On, Franco

Mr. Chu Chun On, Franco ("**Mr. Chu**"), aged 33, has been appointed as an independent non-executive Director since 15 September 2016. Mr. Chu is a Certified Financial Planner registered with Institute of Financial Planners of Hong Kong and holds a Bachelor of Business Administration in Accounting and Finance from Simon Fraser University in Canada. Mr. Chu is a licensed person to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. Mr. Chu has over 10 years of experience in financial planning and wealth management and is currently an account representative of Centaline Securities Limited and the sales director of Centaline Wealth Management Limited.

As at the Latest Practicable Date, Mr. Chu does not have any interests in the QPL Shares or underlying QPL Shares within the meaning of Part XV of the SFO. He does not have any relationship with the Directors, senior management, or substantial/controlling Shareholders nor does he hold any other position with the QPL or any member company of the QPL and its subsidiaries. Save as disclosed above, Mr. Chu has not held any other directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

The term of appointment for Mr. Chu as an independent non-executive Director will be a fixed term of not more than three years, commencing on the date of his re-election (being the date of the QPL SGM or any adjournment thereof, as the case may be) and ending on the earlier of (i) the day immediately preceding the third anniversary of his re-election or (ii) the time of his retirement by rotation pursuant to the Bye-laws.

Mr. Chu is entitled to receive a director's fee of HK$120,000 per annum which is determined by the Board with reference to his duties and responsibilities, as well as the remuneration benchmark from other companies and prevailing market conditions. His remuneration is subject to review by the Remuneration Committee of the Company from time to time.

Save as disclosed above, there are no other matters concerning Mr. Chu that need to be brought to the attention of Shareholders not is there any information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Wong Ka Lok, Andrew

Mr. Wong Ka Lok, Andrew ("**Mr. Wong**"), aged 39, has been appointed as an executive Director since 5 October 2016. Mr. Wong is a registered psychologist of the Hong Kong Psychological Society and a member of both the British Psychological Society and the Hong Kong Psychological Society. Mr. Wong holds a Bachelor degree in Psychology from University of London and a Master degree in Occupational Psychology from London Metropolitan University. Mr. Wong has over 15 years of consultancy experience in project management and human resource management. Moreover, he is experienced in investing in listed securities in Hong Kong.

As at the Latest Practicable Date, Mr. Wong does not have any interests in the QPL Shares or underlying QPL Shares within the meaning of Part XV of the SFO. He does not have any relationship with the Directors, senior management, or substantial/controlling Shareholders nor does he hold any other position with the QPL or any member company of the QPL and its subsidiaries. Save as disclosed above, Mr. Wong has not held any other directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wong has entered into a service contract with the Group. The term of his service as an executive Director is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

Mr. Wong is entitled to receive a director's fee of HK$240,000 per annum which is determined by the Board with reference to his duties and responsibilities, as well as the remuneration benchmark from other companies and prevailing market conditions. His remuneration is subject to review by the Remuneration Committee of the Company from time to time.

Save as disclosed above, there are no other matters concerning Mr. Wong that need to be brought to the attention of Shareholders not is there any information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Ms. Chung Hoi Yan

Ms. Chung Hoi Yan ("**Ms. Chung**"), aged 34, has been appointed as an independent non-executive Director of the Company since 15 November 2016. Ms. Chung is a qualified member of the Hong Kong Institute of Certified Public Accountants and hold a Bachelor of Business Administration in Accounting from the City University of Hong Kong. She has over 10 years experience in the auditing and finance and accounting field. She is currently an assistant finance manager of Wang On Properties Limited of which is listed on the Main Board of Stock Exchange.

As at the Latest Practicable Date, Ms. Chung does not have any interests in the QPL Shares or underlying QPL Shares within the meaning of Part XV of the SFO. She does not have any relationship with the Directors, senior management, or substantial/controlling Shareholders nor does she hold any other position with the QPL or any member company of the QPL and its subsidiaries. Save as disclosed above, Ms. Chung has not held any other directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

The term of appointment for Ms. Chung as an independent non-executive Director will be a fixed term of not more than three years, commencing on the date of her re-election (being the date of the QPL SGM or any adjournment thereof, as the case may be) and ending on the earlier of (i) the day immediately preceding the third anniversary of her re-election or (ii) the time of her retirement by rotation pursuant to the Bye-laws.

Ms. Chung is entitled to receive a director's fee of HK$144,000 per annum which is determined by the Board with reference to her duties and responsibilities, as well as the remuneration benchmark from other companies and prevailing market conditions. Her remuneration is subject to review by the Remuneration Committee of the Company from time to time.

Save as disclosed above, there are no other matters concerning Ms. Chung that need to be brought to the attention of Shareholders not is there any information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

QPL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 243)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of QPL International Holdings Limited (the "**Company**") will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 9 December 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company to be taken by way of poll:

ORDINARY RESOLUTIONS

1. **"THAT**

(a) the acquisition pursuant to the voluntary conditional share exchange offer by the Company to acquire all of the issued shares of L&A International Holdings Limited ("**L&A**") (other than those already owned by the Company and parties acting in concert with it) and to cancel all of the outstanding options of L&A (the "**Offers**"), and the allotment and issue of a maximum of 1,024,648,000 or 1,031,448,000 new ordinary shares of the Company (depending on whether any L&A Options will be exercised) (the "**Consideration Shares**") as consideration under the proposed terms and conditions of the Offers, details of which are set out in the circular to the shareholders of the Company dated 18 November 2016, be and are hereby ratified, confirmed and approved and the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Offers and the transactions contemplated thereunder;

(b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the allotment and issue of the Consideration Shares to the shareholders and optionholders of L&A who accept the Offers be and is hereby approved and any Director be and is hereby authorised to allot and issue the Consideration Shares in accordance with the terms of the Offers and to take all steps necessary, desirable or expedient in his or her opinion to implement or give effect to the allotment and issue of the Consideration Shares; and

(c) the Directors be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to take all such steps which in the opinion of the Directors as may be necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions (the "**Transactions**") set out in the above resolutions and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of the Directors, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver do not constitute material change to the material terms of the Transactions."

2. "THAT

(a) to re-elect Mr. Chu Chun On, Franco as an independent Director for a fixed term of not more than three years, commencing on the date of his re-election (being the date of this SGM or date to which it is adjourned, as the case may be) and ending on the earlier of (i) the day immediately preceding the third anniversary of his re-election; or (ii) the time of his retirement by rotation pursuant to the Bye-laws of the Company;

(b) to re-elect Mr. Wong Ka Lok, Andrew as an executive Director; and

(c) to re-elect Ms. Chung Hoi Yan as an independent non-executive Director for a fixed term of not more than three years, commencing on the date of her re-election (being the date of this SGM or date to which it is adjourned, as the case may be) and ending on the earlier of (i) the day immediately preceding the third anniversary of her re-election; or (ii) the time of her retirement by rotation pursuant to the Bye-laws of the Company."

Yours faithfully,
By Order of the Board
QPL International Holdings Limited
Li Tung Lok
Executive Chairman and Chief Executive

Hong Kong, 18 November 2016

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
8th Floor, Hale Weal Industrial Building
22-28 Tai Chung Road
Tsuen Wan, New Territories
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one proxy or, if such member is a holder of more than one share, more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time for holding the SGM or any adjournment of such meeting (as the case may be).

3. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the SGM or any adjustment thereof (as the case may be) if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such holders may vote at the SGM either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than more of such joint holders be present at the SGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.

5. The above resolutions will be voted by way of a poll at the SGM.

6. As at the date of this notice, the executive Directors are Mr. Li Tung Lok (Executive Chairman and Chief Executive), Mr. Phen Hoi Ping, Patrick, Mr. Wong Ka Lok, Andrew and Ms. Tung Siu Ching; the non-executive Director is Mr. Wong Wai Man; and the independent non-executive Directors are Mr. Yau Chi Hang, Mr. Chu Chun On, Franco and Ms. Chung Hoi Yan.