

**THE POTENTIALLY PRECARIOUS POSITION
OF SPEEDY GLOBAL HOLDINGS LTD**

If Speedy Global Holdings Ltd () (Code: 540, Main Board, The Stock Exchange of Hongkong Ltd) were to have a falling out with Mr Peter Lau Kwok Kuen (), the Chairman and Chief Executive of Giordano International Ltd () (Code: 709, Main Board, The Stock Exchange of Hongkong Ltd), the resultant effect could well be disastrous for Speedy Global.

According to the calculations of **TARGET** (), in the 2011 Financial Year, ended December 31, 2011, Giordano paid \$HK741,479,000 to Speedy Global in order that that company produce garments for it in accordance with Giordano's specifications.

That amount of money of \$HK741,479,000 represented 31.80 percent of Giordano's Total Cost of Sales, amounting to about \$HK2.33 billion.

In terms of the Revenue of Speedy Global, Giordano, alone, contributed about 63.49 percent of the total.

The importance of Giordano to Speedy Global, therefore, cannot be denied.

In the 2010 Financial Year, Giordano's contribution to the coffers to Speedy Global, by way of the Revenue, was \$HK616,486,000, representing about 30.82 percent of Giordano's Cost of Sales and about 55.86 percent of the Total Revenue of Speedy Global.

As for the 2009 Financial Year, Giordano paid to Speedy Global, the sum of \$HK528,291,000. That sum of money represented about 24.29 percent of Giordano's Cost of Sales.

In respect of Speedy Global's Total Revenue for 2009, the contribution of Giordano amounted to about 63.63 percent.

On scanning the Global Offering Prospectus of Speedy Global, dated December 31, 2012, this Company has no long-term arrangement with Giordano.

At Page 156 of this Prospectus, it is stated:

'... we have not entered into any long-term sales contract with Giordano. Instead, we have entered into a manufacturing licence agreement with Giordano pursuant to which we are appointed as an authorized non-exclusive manufacturer of products bearing trademarks owned by Giordano. Under the manufacturing licence agreement, Giordano places individual purchase orders to us. The Directors believe that such arrangement offers us flexibility in our operations to cater for the dynamic changes in the apparel supply chain servicing industry ...'.

On the following page of the Prospectus, it is stated:

'The manufacturing licence agreement may be terminated if either Giordano or us fails to perform any of the terms, conditions, agreements or covenants in the agreement for a period of 30 days after written notice is served on the defaulting party requiring compliance. Either Giordano or us may

also terminate the manufacturing licence agreement without cause by giving the other party two months' written notice ...'.

It is highly unlikely that Speedy Global would want Giordano to stop, being its largest single customer, but one has to ponder as to the reason that Management of this newly listed company on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) that it would permit itself to be put in this, potentially, precarious position.

Or did ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*