
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS AND CORPORATE DEVELOPMENT

Overview

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 19 November 2015 in preparation for Listing and is the holding company of the Group. As at the Latest Practicable Date, the subsidiaries of the Company comprised Knit World, Speed Apparel HK, Speed Apparel Shenzhen and Speed Apparel BVI. Details of these subsidiaries and the corporate structure of the Group are set out in the subsection headed “The Group’s structure and corporate development” below under this section.

Prior to the Listing, the Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of the Company was owned by Speed Development, which is in turn wholly and beneficially owned by Mr. Chan.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Chan will effectively hold, through Speed Development, 75% of the voting rights in the Company (without taking into account any Shares which will be allotted and issued upon exercise of any option(s) which may be granted under the Share Option Scheme).

Business development

The Group’s history can be traced back to May 1999 when Speed Apparel was established by Ms. Cheung, the spouse of Mr. Chan, and two Independent Third Parties. Since the inception stage, the Group has focused on merchandising and selling knitwear with comprehensive production management and logistic services. In 2001, Mr. Chan left his previous job and joined Speed Apparel and was appointed as a director. Mr. Chan has been responsible for the management and operation of the Group’s business since he joined the Group. Please refer to the section headed “Directors and senior management — Directors” in this prospectus for the biographical details of Mr. Chan. The Group confirmed the sales order and commenced sales to one of its major customers in late 2001. Since then, the Group has successfully expanded its clientele base in order to strengthen the Group’s position in the Japan market.

To offer the customers with value-added service and to further expand the product offerings, the Group has set up a design and promotion department to cater for the customers’ procurement need. Over the years, the Group has grown to a one-stop solutions provider offering apparel supply chain management services including fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistic services.

On 31 December 2015, Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 1 pursuant to which Speed Apparel agreed to transfer the Speed Garment Business and certain assets and liabilities to Speed Apparel HK for a total consideration of approximately HK\$8,167,788, which was based on the carrying value of the Speed Garment Business and assets and liabilities as at 27 January 2016 and

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has been settled by Speed Apparel HK by way of waiver which was recognised as deemed distribution to Mr. Chan. For details of the respective accounting treatments please refer to the section headed “A. Financial information — Consolidated statements of changes in equity” in Appendix I to this prospectus. Completion of Business Transfer 1 took place on 1 February 2016.

On 31 December 2015, Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 2 pursuant to which Firenze Apparel agreed to transfer the Firenze Garment Business and certain assets and liabilities to Speed Apparel HK for a total consideration of approximately HK\$8,847,566, which was based on the carrying value of the Firenze Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver which has recognised as deemed distribution to Mr. Chan. For details of the respective accounting treatments please refer to the section headed “A. Financial information — Consolidated statements of changes in equity” in Appendix I to this prospectus. Completion of Business Transfer 2 took place on 1 February 2016.

Since Mr. Chan, the sole beneficial owner of Speed Apparel and Firenze Apparel, would like to retain his ownership in the Eldex Properties and the Gemstar Property, in view of (i) the intra group relief under section 45 of the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is not applicable for Mr. Chan to transfer the aforesaid properties to the Group; and (ii) the stamp duty which would therefore have been chargeable if the aforesaid properties were to be transferred from Speed Apparel and Firenze Apparel to the Group which was estimated to be over HK\$8.5 million, Mr. Chan decided to continue to hold the Eldex Properties and the Gemstar Property under Speed Apparel and Firenze Apparel, respectively, and to convert Speed Apparel and Firenze Apparel into pure investment holding companies. The Directors believe that such arrangement provides the Group more flexibility in allocation of resources and better control of its investment risks. In addition, Mr. Chan would like to retain his golf club membership owned by Firenze Apparel, in view of the transfer fee (which is estimated to be HK\$3 million) and lengthy procedures if the golf club membership had been transferred to Mr. Chan. Therefore, as part of the Reorganisation, the Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel and the Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK on 1 February 2016 pursuant to the Business Transfer Agreement 1 and Business Transfer Agreement 2, respectively.

Milestones of the Group

The chronological overview of the key events of development of the Group is set out below:

<u>Date</u>	<u>Milestone</u>
1999	Speed Apparel was incorporated in Hong Kong on 17 May 1999
2001	Commenced sales to the parent company of Mitsubishi Corporation Fashion Co., Ltd. for various young fashion brands

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Date	Milestone
2002	Knit World was incorporated in Hong Kong on 20 February 2002
2003	Set up a design and promotion department with an aim to providing design services to customers
2004	Firenze Apparel was incorporated in Hong Kong on 18 June 2004
2005	Commenced sales to Toyoshima and Co., Ltd. for various fashion brands
2007	Commenced sales to Marubeni for various fashion brands
2008	Commenced sales to World Production Partners Co., Ltd for various fashion brands
2009	Commenced sales to Customer F for various fashion brands
2012	Commenced sales to a Japanese leisure and casual brand through Marubeni
2015	The Group received the “Best Partner Award” by Marubeni’s Client, which is a Japanese leisure and casual brand ranked third in terms of retail value in Japanese apparel retail industry in 2015
	Speed Apparel HK was incorporated in Hong Kong on 26 November 2015
2016	The Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel and Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK under the Business Transfer 1 and Business Transfer 2
	Speed Apparel Shenzhen was established in the PRC as a wholly foreign-owned enterprise, the entire equity interest of which is held by Speed Apparel HK. Speed Apparel Shenzhen principally engages in the business of apparel supply chain management services in the PRC

THE GROUP'S STRUCTURE AND CORPORATE DEVELOPMENT

The Company was incorporated in the Cayman Islands on 19 November 2015 as an exempted company with limited liability and a share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each. The Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 15 July 2016. Upon the completion of the Reorganisation, it became the ultimate holding company of the Group with the business conducted through the operating subsidiaries of the Group. Set forth below is the history of the operating subsidiaries of the Group:

The major operating entities prior to the Business Transfer 1 and the Business Transfer 2

Speed Apparel

Speed Apparel is a company which was incorporated in Hong Kong with limited liability on 17 May 1999. Upon incorporation, Mr. Hui Chung Ming (“**Mr. Hui**”), Mr. Leung Wei Yang, Kennist (“**Mr. Leung**”) who are Independent Third Parties, and Ms. Cheung, each held one fully-paid subscriber share of Speed Apparel. On 8 June 1999, 3,332 shares, 3,332 shares and 3,332 shares of Speed Apparel were allotted and issued at par to Mr. Hui, Mr. Leung and Ms. Cheung, respectively. On 4 December 2001, one share was allotted and issued at par to Mr. Chan. On 5 December 2001, Mr. Leung transferred 1,666 shares and 1,667 shares of Speed Apparel to Mr. Chan and Mr. Hui, respectively, at the consideration of HK\$1 per share with reference to the then par value. On the same date, Ms. Cheung transferred 3,333 shares of Speed Apparel to Mr. Chan at the consideration of HK\$1 per share with reference to the then par value. On 5 October 2007, Mr. Hui transferred 5,000 shares of Speed Apparel being his entire shareholding in Speed Apparel to Mr. Chan at the total consideration of HK\$6,000,000 based on arm's length negotiation between the parties. After completion of such transfer, Speed Apparel became 100% legally and beneficially owned by Mr. Chan. On 1 February 2016, as part of the Reorganisation, the Speed Garment Business carried on by and certain assets and liabilities of Speed Apparel were transferred to Speed Apparel HK in accordance with the Business Transfer Agreement 1.

Speed Apparel commenced business in May 1999 and mainly provided apparel supply chain management services prior to the Business Transfer 1. Upon completion of the Business Transfer 1, Speed Apparel became an investment holding company. Speed Apparel is not a member of the Group.

Firenze Apparel

Firenze Apparel is a company which was incorporated in Hong Kong with limited liability on 18 June 2004. Such company has been 100% legally and beneficially owned by Mr. Chan since incorporation. On 1 February 2016, as part of the Reorganisation, the Firenze Garment Business carried on by and certain assets and liabilities of Firenze Apparel were transferred to Speed Apparel HK in accordance with the Business Transfer Agreement 2.

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Firenze Apparel commenced business in June 2004 and mainly provided apparel supply chain management services prior to the Business Transfer 2. Upon completion of the Business Transfer 2, Firenze Apparel became an investment holding company. Firenze Apparel is not a member of the Group.

The subsidiaries and operating entity after the Business Transfer 1 and the Business Transfer 2

Speed Apparel BVI

Speed Apparel BVI was incorporated in the BVI with limited liability on 13 November 2015 and is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Immediately following its incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Apparel BVI for the issue price of US\$1 per Share, which were then transferred to the Company for the consideration of US\$100 on 8 December 2015. Upon completion of the aforesaid transfer, Speed Apparel BVI became the wholly-owned subsidiary of the Company. Speed Apparel BVI is an investment holding company.

Speed Apparel HK

Speed Apparel HK is a major operating subsidiary of the Group. On 26 November 2015, it was incorporated in Hong Kong with limited liability. Upon its incorporation, Speed Apparel BVI subscribed for 10,000 shares of Speed Apparel HK as first subscriber at a subscription price of HK\$1 per share. Upon completion of the aforesaid subscription, Speed Apparel HK became a wholly-owned subsidiary of Speed Apparel BVI. Speed Apparel HK principally provides apparel supply chain management services in Hong Kong.

Knit World

Knit World is an operating subsidiary of the Group and was incorporated in Hong Kong on 20 February 2002 with limited liability. Upon its incorporation, Mr. Chan and Mr. Hui each subscribed for one share of Knit World as first subscribers at a subscription price of HK\$1 each. On 25 February 2002, 4,999 shares and 4,999 shares were allotted and issued to Mr. Chan and Mr. Hui respectively at par value of HK\$1 each. On 1 April 2004, 5,000 shares of Knit World were allotted and issued to Mr. Wong Kun Ching, Billy (“**Mr. Wong**”) at par value of HK\$1 each. On 23 December 2005, Mr. Wong transferred his 2,500 shares and 2,500 shares of Knit World to Mr. Chan and Mr. Hui, respectively, at par value of HK\$1 each. On 5 November 2007, Mr. Hui transferred all his 7,500 shares in Knit World to Mr. Chan at par value of HK\$1 each. On 23 September 2008, 800,000 shares and 2,385,000 shares of Knit World were allotted and issued at par value to Ms. Cheung and Mr. Chan, respectively. On the same date, 800,000 shares were allotted and issued to GA Investment Co. Ltd. (“**GA Investment**”), a Japanese company and an Independent Third Party, at the total consideration of HK\$800,000 based on the par value of HK\$1 each. GA Investment held its 800,000 shares of Knit World on trust for Mr. Chan for the proposed business cooperation between the parties. On 1 June 2009, due to the commercial decision of GA Investment not to proceed with the business cooperation, GA Investment returned its 800,000 shares to Mr. Chan at Mr. Chan’s direction under the respective trust arrangement. Prior to the

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completion of the Reorganisation, Knit World was held as to 3,200,000 shares and 800,000 shares by Mr. Chan and Ms. Cheung, respectively. As further particularised in the paragraph headed “Reorganisation — Acquisition of Knit World by the Company” in this section below, following the purchase of all issued shares of Knit World on 18 May 2016 by the Company, through Speed Apparel BVI, Knit World became a wholly-owned subsidiary of Speed Apparel BVI. With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Knit World ceased to have any nominal value.

As at the Latest Practicable Date, Knit World principally engages in the provision of apparel supply chain management services to customers in South Africa, the USA, and Australia.

Speed Apparel Shenzhen

Speed Apparel Shenzhen is an operating subsidiary of the Group and was established in Shenzhen, the PRC under the laws of the PRC on 23 February 2016 by Speed Apparel HK as a wholly foreign-owned enterprise. It has limited liability and a registered and paid up capital of RMB800,000.

As at the Latest Practicable Date, Speed Apparel Shenzhen principally engages in the business of apparel supply chain management services in the PRC.

REORGANISATION

In preparing for the Listing, the Group underwent the Reorganisation with the following steps:

(a) Step 1 — Incorporation of the corporate Shareholder

Speed Development was incorporated in the BVI with limited liability on 12 November 2015. Speed Development is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Upon incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Development for the issue price of US\$100.

(b) Step 2 — Incorporation of Speed Apparel BVI

Speed Apparel BVI was incorporated in the BVI with limited liability on 13 November 2015. Speed Apparel BVI is authorised to issue a maximum of 50,000 shares each with a par value of US\$1. Following incorporation, Mr. Chan subscribed for 100 fully paid shares of Speed Apparel BVI for the issue price of US\$1 per share, which were then transferred to the Company for the consideration of US\$100 on 8 December 2015.

(c) Step 3 — Incorporation of the Company

(i) The Company was incorporated in the Cayman Islands on 19 November 2015 as an exempted company with limited liability and is the ultimate holding company of the Group. The authorised share capital of the Company was HK\$390,000 divided into 39,000,000 Shares each with a par value of HK\$0.01. Upon incorporation, Mr.

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Craig Fulton, being the initial subscriber of the Company, held the first fully paid subscriber's Share which was then transferred to Mr. Chan immediately. Mr. Chan transferred his fully paid Share in the Company to Speed Development for the consideration of HK\$0.01 on 8 December 2015. Upon completion of the aforesaid transfer, the Company became a wholly-owned subsidiary of Speed Development.

- (ii) The Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong Company on 15 July 2016.

(d) Step 4 — Incorporation of Speed Apparel HK

On 26 November 2015, Speed Apparel HK was incorporated in Hong Kong with limited liability and Speed Apparel BVI subscribed for 10,000 shares of Speed Apparel HK as first subscriber at a subscription price of HK\$1 per share. As a result, Speed Apparel HK became a wholly-owned subsidiary of Speed Apparel BVI.

(e) Step 5 — Incorporation of Speed Apparel Shenzhen

On 23 February 2016, Speed Apparel Shenzhen was established in Shenzhen, the PRC under the laws of the PRC by Speed Apparel HK as a wholly foreign-owned enterprise. It has limited liability and a registered and paid up capital of RMB800,000. Upon its establishment, Speed Apparel Shenzhen became a wholly-owned subsidiary of Speed Apparel HK.

(f) Step 6 — Transfer of business

- (i) On 31 December 2015, Speed Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 1, pursuant to which Speed Apparel agreed to sell and Speed Apparel HK agreed to purchase the Speed Garment Business and the assets and liabilities owned or held as security by Speed Apparel and utilised in the Speed Garment Businesses (except for the (i) Eldex Properties, (ii) mortgages associated with the Eldex Properties, (iii) securities investment, and (iv) a motor vehicle and the finance lease arrangement associated with it owned by Speed Apparel) for a consideration of approximately HK\$8,167,788. Such consideration was based on the carrying value of the Speed Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver. Completion of Business Transfer 1 took place on 1 February 2016.
- (ii) On 31 December 2015, Firenze Apparel as vendor, Speed Apparel HK as purchaser and Mr. Chan as warrantor entered into the Business Transfer Agreement 2, pursuant to which Firenze Apparel agreed to sell and Speed Apparel HK agreed to purchase the Firenze Garment Business and the assets and liabilities owned or held as security by Firenze Apparel and utilised in the Firenze Garment Businesses (except for the (i) Gemstar Property, (ii) mortgage associated with the Gemstar

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Property, and (iii) investment in two golf club memberships and the term loan for one of the golf club memberships owned by Firenze Apparel) for a consideration of approximately HK\$8,847,566. Such consideration was based on the carrying value of the Firenze Garment Business and assets and liabilities as at 27 January 2016 and has been settled by Speed Apparel HK by way of waiver. Completion of Business Transfer 2 took place on 1 February 2016.

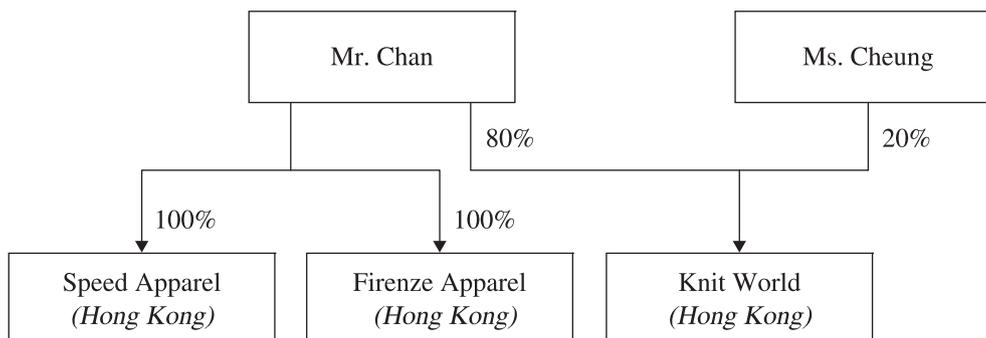
(g) Step 7 — Acquisition of Knit World by the Company

- (i) On 17 May 2016, Ms. Cheung assigned all her 800,000 shares in Knit World to Mr. Chan at the total consideration of HK\$1.
- (ii) On 18 May 2016, Mr. Chan (as vendor), Speed Development (as nominee of Mr. Chan), the Company (as holding entity of purchaser) and Speed Apparel BVI (as purchaser) entered into a sale and purchase agreement, pursuant to which Speed Apparel BVI, purchased from Mr. Chan all issued shares of Knit World, in consideration of which Speed Development allotted and issued one share to Mr. Chan on 18 May 2016 which is in consideration of the Company allotting and issuing one Share to Speed Development on 18 May 2016 and Speed Apparel BVI in turn allotting and issuing one share to the Company on 18 May 2016. The Company further allotted and issued 8,998 Shares to Speed Development for the consideration of HK\$0.01 each on 24 May 2016. As a result, Knit World became a wholly-owned subsidiary of Speed Apparel BVI.

As confirmed by the Directors, each of the shares transfer made in the Reorganisation was properly and legally completed and settled. No approval is required from the relevant regulatory authorities.

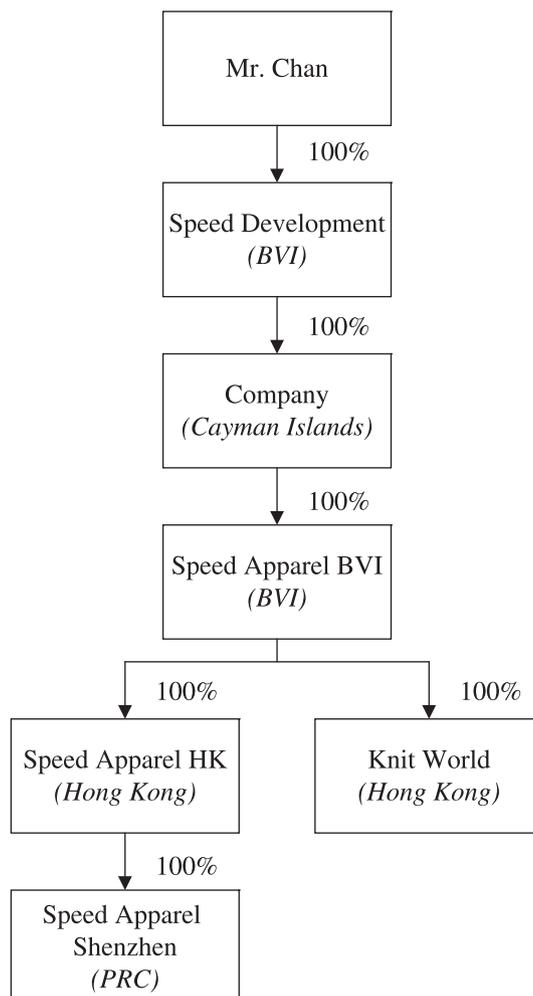
CORPORATE STRUCTURE

The following charts illustrate the corporate structure of the Group immediately prior to the Reorganisation:



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The following charts illustrate the corporate structure of the Group immediately following completion of the Reorganisation:



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The following charts illustrate the corporate structure of the Group immediately following completion of the Capitalisation Issue and the Share Offer (but not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):

