SPEED APPAREL HOLDING LIMITED
尚捷集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8183

ANNUAL REPORT
2016/2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the "**Directors**") of Speed Apparel Holding Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wing Kai
(Chairman and chief executive officer)
Mr. Ng Ming Ho

Independent Non-executive Directors

Mr. Kwok Chi Shing
Ms. Chan Siu Lai
Mr. Ma Kwok Fai, Edwin

COMPANY SECRETARY

Ms. Wu Yu Lim, Winnie

COMPLIANCE OFFICER

Mr. Chan Wing Kai

AUTHORISED REPRESENTATIVES

Mr. Chan Wing Kai
Mr. Ng Ming Ho

AUDIT COMMITTEE

Mr. Kwok Chi Shing
(Chairman of Audit Committee)
Ms. Chan Siu Lai
Mr. Ma Kwok Fai, Edwin

REMUNERATION COMMITTEE

Ms. Chan Siu Lai
(Chairlady of Remuneration Committee)
Mr. Kwok Chi Shing
Mr. Ma Kwok Fai, Edwin

NOMINATION COMMITTEE

Mr. Ma Kwok Fai, Edwin
(Chairman of Nomination Committee)
Ms. Chan Siu Lai
Mr. Kwok Chi Shing

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.speedapparel.com.hk

STOCK CODE

8183

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the first annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2017.

LISTING

The shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017 (the "**Listing**"), it was a significant milestone for the Group. The Listing not only provides a platform to the Company to gain access to one of the world's significant capital markets, but also boosts up the confidence of the customers and the suppliers of the Group, enhances the Group's reputation and strengthens its corporate governance.

BUSINESS OVERVIEW

During the year under review, the Group's revenue decreased slightly to approximately HK$430.1 million, representing a decrease of approximately 1.2% comparing to the year ended 31 March 2016, while the net profit for the year attributable to the shareholders of the Company decreased to approximately HK$6.1 million, representing a decrease of approximately 51.2% comparing to the year ended 31 March 2016. The decrease was mainly attributable to the non-recurring listing expenses incurred during the year amounting to approximately HK$11.4 million which significantly affect the Group's results for the year.

PROSPECTS

The Group's goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the apparel supply chain management services in Hong Kong. The Group expects the business environment will remain challenging in the coming year due to (i) the fluctuations in the foreign exchange rate of Japanese Yen and (ii) other factors which may affect the level of consumer spending in Japan or other places in the world. Nevertheless, the Directors are confident that the Group is able to (i) strengthen and diversify its customers base; (ii) further expand the Group's product variety to cater for the customers' needs; (iii) enhance the Group's design and development capabilities and (iv) enhance the Group's inventory management to strengthen operational efficiency which in turn promote its growth in the long run and maximise return for the shareholders of the Company (the "**Shareholders**").

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my deep gratitude to all of our business partners, customers, suppliers and the Shareholders for their continuous support.

Speed Apparel Holding Limited
Chan Wing Kai
Chairman and Executive Director

Hong Kong, 23 June 2017

Management Discussion and Analysis

INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which products are marketed and sold under their own brands. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC and or Thailand.

BUSINESS REVIEW

During the year ended 31 March 2017, the Group's revenue decreased slightly by approximately 1.2% as compared with that for the year ended 31 March 2016 while gross profit margin increased to 15.6% for the year ended 31 March 2017 from 14.7% for the preceding year. The slight increase in gross profit margin was mainly attributable to the increase in the gross profit margin of womenswear for the year ended 31 March 2017, which in turn was mainly due to the decrease in purchase orders of lower priced products from a major customer with lower gross profit margins.

Non-recurring listing expenses of approximately HK$11.4 million was recognised during the year ended 31 March 2017, which significantly affected the financial results of the Group during the year ended 31 March 2017. As a result, the net profit attributable to the owners of the Company decreased to approximately HK$6.1 million for the year ended 31 March 2017 comparing to approximately HK$12.5 million for the year ended 31 March 2016, representing a decrease of approximately 51.2%.

On 31 May 2017, the shares of the Company (the "**Share(s)**") have been successfully listed on GEM of the Stock Exchange by way of share offer (the "**Share Offer**"). After deducting all the relevant commission and expenses in relation to the Listing, an approximate of HK$35.9 million net proceeds has been raised from the Listing. The Group will utilise such net proceeds by implementing the corporate plans in accordance with the business strategies as set out in the Company's prospectus dated 16 May 2017 (the "**Prospectus**") under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

FINANCIAL REVIEW

Revenue

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the year ended 31 March 2017, the Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 81.1% of the Group's total revenue. The following table sets out a breakdown of the Group's revenue by product categories for each of the two years ended 31 March 2017:

	Year ended 31 March				Rate of change
	2017		2016		
	HK$'000	**%**	HK$'000	%	**%**
Womenswear	**348,948**	**81.1**	363,294	83.5	**(3.9)**
Menswear	**81,182**	**18.9**	71,912	16.5	**12.9**
	430,130	**100.0**	435,206	100.0	**(1.2)**

During the year ended 31 March 2017, the sales volume of the Group amounted to approximately 7.5 million units of finished knitwear products. Set out below are the total sales quantities of each product category for each of the two years ended 31 March 2017:

	Year ended 31 March				Rate of change
	2017		2016		
	Pieces ('000)	**%**	Pieces ('000)	%	**%**
Womenswear	**6,109**	**81.7**	7,010	83.9	**(12.9)**
Menswear	**1,372**	**18.3**	1,342	16.1	**2.2**
	7,481	**100.0**	8,352	100.0	**(10.4)**

The selling price of each of the product categories depends primarily on, among other thing, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per unit of finished product sold by the Group by category for each of the two years ended 31 March 2017:

	Year ended 31 March		**Rate of change**
	2017 Average selling price (note) HK$	2016 Average selling price (note) HK$	**%**
Womenswear	**57.1**	51.8	**10.2**
Menswear	**59.2**	53.6	**10.4**
Overall average selling price	**57.5**	52.1	**10.4**

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

The Group's revenue decreased slightly by approximately 1.2%, or approximately HK$5.1 million, from approximately HK$435.2 million for the year ended 31 March 2016 to approximately HK$430.1 million for the year ended 31 March 2017. The decrease in revenue was mainly attributable to the decrease in sales volume of the knitwear products.

Womenswear

During the year ended 31 March 2017, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear decreased by approximately HK$14.4 million or 3.9% from approximately HK$363.3 million for the year ended 31 March 2016 to approximately HK$348.9 million for the year ended 31 March 2017. Such decrease was mainly attributable to the decrease in sales quantity from approximately 7.0 million pieces for the year ended 31 March 2016 to approximately 6.1 million pieces for the year ended 31 March 2017, which outweighs the increase in average selling price from approximately HK$51.8 for the year ended 31 March 2016 to approximately HK$57.1 for the year ended 31 March 2017.

Menswear

The Group's revenue derived from the sales of menswear increased by approximately HK$9.3 million or 12.9% from approximately HK$71.9 million for the year ended 31 March 2016 to approximately HK$81.2 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in sales orders of menswear placed by existing customers coupled with the increase in average selling price from approximately HK$53.6 for the year ended 31 March 2016 to approximately HK$59.2 for the year ended 31 March 2017, and the continuous effort of the Group to market its knitwear during the year.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumble used, inspection fee and other processing charges. The cost of sales decreased to approximately HK$362.9 million for the year ended 31 March 2017 from approximately HK$371.1 million for the year ended 31 March 2016, representing a decrease of approximately 2.2%. The Group's cost of sales decreased along with the decrease in the Group's revenue for the year ended 31 March 2017.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK$67.2 million for the year ended 31 March 2017 from approximately HK$64.1 million for the year ended 31 March 2016, representing an increase of approximately 4.8%. The increase was mainly attributable to the decrease in cost of sales which outweighed the decrease in the Group's sales volume of the knitwear products. The Group's gross profit margin slightly increased to approximately 15.6% for the year ended 31 March 2017 from approximately 14.7% for the year ended 31 March 2016 which was as a result of decrease in purchase orders of lower priced womenswear products from a major customer with lower gross profit margin.

Other income

Other income mainly consists of sample sales income and bank interest income. The Group's other income increased to approximately HK$1.63 million for the year ended 31 March 2017 from approximately HK$1.49 million for the year ended 31 March 2016, representing an increase of approximately 9.4%. The increase was mainly attributable to an increase in the Group's sample sales income, which outweighed the decrease in bank interest income of approximately HK$0.1 million during the year ended 31 March 2017.

Other loss

Other loss remains steadily at approximately HK$2.1 million for the year ended 31 March 2017. Such exchange differences arising on the Group's revenue denominated in US$ were mainly due to the fact that translation of such transaction amounts were recognised in the Group's consolidated statement of profit or loss and other comprehensive income according to an exchange rate of HK$7.80: USD1.00 whilst the settlement of such transaction amounts were based on the rate of exchanges prevailing on the dates of settlement. Notwithstanding the above, the Directors are of the opinion that the Group's exposure to US$ foreign currency risk is minimal as HK$ is pegged to US$ by the Hong Kong's Linked Exchange Rate System.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased to approximately HK$24.1 million for the year ended 31 March 2017 from approximately HK$22.5 million for the year ended 31 March 2016, representing an increase of approximately 7.1%. The net increase in the Group's selling expenses and distribution expenses was mainly attributable to the increases in (i) advertising expense; (ii) logistic expenses; and (iii) staff costs and benefits for merchandising staff as additional staff was recruited during the year ended 31 March 2017, such increase was partially mitigated by the decrease in the commission charged by the sourcing agents.

Administrative expenses

Administrative expenses primarily consist of audit fee, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses increased to approximately HK$21.4 million for the year ended 31 March 2017 from approximately HK$20.6 million for the year ended 31 March 2016, representing an increase of approximately 3.9%. Such increase was mainly attributable to the increase in audit fees and, rent and rates as compared to the previous year.

Listing expenses

The Group recognised non-recurring listing expenses of approximately HK$11.4 million for the year ended 31 March 2017 while there was approximately HK$3.2 million listing expenses recognised for the previous financial year. Accordingly, the financial results of the Group for the year ended 31 March 2017 have been significantly affected by the recognition of such listing expenses.

Finance costs

The Group's finance costs decreased by approximately HK$0.7 million, or approximately 50.0%, from approximately HK$1.4 million for the year ended 31 March 2016 to approximately HK$0.7 million for the year ended 31 March 2017, which was primarily due to a decrease in interest expenses on the Group's bank borrowings for the year ended 31 March 2017.

Profit before taxation

As a result of the foregoing, profit before income tax decreased by approximately 42.4%, or approximately HK$6.7 million, from approximately HK$15.8 million for the year ended 31 March 2016 to approximately HK$9.1 million for the year ended 31 March 2017. The decrease was mainly due to the listing expenses incurred as aforementioned which was partially mitigated by the positive effect of decrease in finance costs during the year ended 31 March 2017.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased to approximately HK$6.0 million for the year ended 31 March 2017 from approximately HK$12.5 million for the year ended 31 March 2016, representing a decrease of approximately 52.0%. If the non-recurring listing expenses of approximately HK$11.4 million (2016: approximately HK$3.2 million) had been excluded, the Group's adjusted profit and total comprehensive income attributable to owners of the Company for the year ended 31 March 2017 would have been approximately HK$17.4 million, representing an increase of approximately 10.8% compared to the adjusted profit and total comprehensive income attributable to owners of the Company for the year ended 31 March 2016 of approximately HK$15.7 million.

Basic earnings per Share

The Company's basic earnings per Share for the year ended 31 March 2017 was approximately HK$1.6 cents (2016: HK$3.3 cents), representing decrease of approximately HK$1.7 cents, or approximately 51.5%, which is in line with the profit for the year attributable to the owners of the Company, when compared to the year ended 31 March 2016.

Final dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2017 (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2017, the Group's operations were generally financed through internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2017 and 2016, the Group had net current assets of approximately HK$24.2 million and HK$18.1 million respectively, including cash and bank balances of approximately HK$38.5 million and HK$20.8 million respectively. The Group's current ratio increased from approximately 1.3 as at 31 March 2016 to approximately 1.6 as at 31 March 2017. Such an increase was mainly because of the repayment of an amount due to related parties during the year ended 31 March 2017.

Gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date. As at 31 March 2017, the Group's gearing ratio was approximately 0.8 times, while it was 0.9 times as at 31 March 2016. The slight decrease in gearing ratio from approximately 0.9 times as at 31 March 2016 to approximately 0.8 times as at 31 March 2017 was mainly due to the full repayment of an amount due to related parties during the year ended 31 March 2017. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and banking credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables. In order to minimise the credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In management of the liquidity risk, the Board closely 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.

COMMITMENTS

The Group's contractual commitments were primarily related to the leases of its office premises. At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Within one year	**1,200**	1,200
In the second to fifth year inclusive	**1,000**	2,200
	2,200	3,400

Operating lease payments represent rental expenses payable by the Group to a related entity controlled by Mr. Chan Wing Kai ("**Mr. Chan**") as set forth in note 25(b) to the consolidated financial statements in this annual report, for its office premises. Leases are negotiated for the fixed term of three years and rentals are fixed over the lease term.

As at 31 March 2017, the Group did not have any significant capital commitments (31 March 2016: Nil).

CAPITAL STRUCTURE

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at the date of this annual report, the Company's issued share capital amounting to HK$5.0 million divided by 500,000,000 shares of HK$0.01 each.

Details of changes in the Company's share capital for the year ended 31 March 2017 are set out in note 22 to the consolidated financial statements in this annual report.

SIGNIFICANT INVESTMENTS

As at 31 March 2017 and 2016, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 18 May 2016, the Group completed a group reorganisation (the "**Reorganisation**"), details of which are set out in note 2 to the consolidated financial statements in this annual report. Subsequent to the completion of the Reorganisation and up to 31 March 2017, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the Prospectus, the Group currently has no plan for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2017 (31 March 2016: Nil).

FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, and obligation under a finance lease are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. Although the Group's revenue and major expenses are mainly in US$, which is the functional currency of the Group, as HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate. The Group currently does not has a foreign currency hedging policy. However, management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

PLEDGE OF ASSETS

At the end of each reporting year, the following assets were pledged to banks to secure certain banking facilities granted to the Group:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Pledged bank deposit	**6,011**	6,000
	6,011	6,000

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 75 full-time employees (31 March 2016: 65). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2017 and 2016, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK$25.1 million and HK$23.4 million respectively. Remuneration is determined with reference to market terms and the performance, qualification, experience, position and seniority of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. Share options may also be granted to the Directors and senior management under the share option scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2017, the Group mainly carries out its businesses in Hong Kong and the People's Republic of China ("**PRC**"). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws, rules and regulations in Hong Kong and the PRC.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, such as energy saving and recycling of office resources. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organisation. The Group has complied with all relevant laws, rules and regulations regarding environmental protection, health and safety, workplace conditions and employment.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the remuneration package, the Group also offers other employee benefits, such as medical insurance etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 5 to 15 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product knowhow, market awareness, dedicated management team, and competitive pricing. The Group has also established stable, close working and long-term relationship with its suppliers. During the year, there was no material dispute or disagreement with the employees, the customers and the suppliers of the Group.

USE OF PROCEEDS

The Shares were successfully listed on GEM of the Stock Exchange on 31 May 2017 (the "**Listing Date**"). The Group raised the net proceeds from the Share Offer of approximately HK$35.9 million after deducting commission and expenses borne by the Company in connection with the Share Offer of approximately HK$26.6 million (the "**Net Proceeds**"). The Net Proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. As at the date of this report, the unutilised Net Proceeds amounted to approximately HK$35.9 million.

The following table sets forth a breakdown of the use of Net Proceeds during the period from the Listing Date up to the date of this report:

	Net proceeds available HK$ million	Utilised HK$ million	Unutilised HK$ million
Strengthening and diversifying the Group's customers base	4.8	—	4.8
Further expanding the Group's product mix to cater to the customers' need	9.6	—	9.6
Enhancing the Group's design and development capabilities	7.3	—	7.3
Enhancing the Group's inventory management to strengthen operational efficiency	14.2	—	14.2
	35.9	—	35.9

As at the date of this report, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Company.

FUTURE PROSPECTS

The Shares were successfully listed on GEM of the Stock Exchange on 31 May 2017. The Directors believe that the Listing of the Shares on GEM of the Stock Exchange will enhance the Group's profile and the Net Proceeds from the Share Offer will strengthen the financial position and will enable the Group to implement its business plans set out in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Furthermore, the Listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise, assist the Group in further business development and strengthen the Group's competitiveness.

The Group always strives to remain flexible and sensitive to the increasing and changing needs of its customers and to create the best tailor-made design and products for them at a competitive price. Apart from setting up new merchandising teams and strengthening the design team, the Company plans to set up a new office and showroom in Japan with a view of enhancing services to existing customers as well as introducing to the Group new customers and business opportunities to the extent that the Group's customer base will be further broadened for continuous growth of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Wing Kai (陳永啟), aged 48, was appointed as a Director of the Company on 19 November 2015 and was designated as an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company on 15 June 2016 for an initial term of three years commencing from the Listing Date. He is responsible for the overall strategic planning and corporate policy making, as well as business development and day-to-day management of the Group's business operation. He is also a director of each of the subsidiaries of the Company and Speed Development Co. Ltd, a controlling shareholder of the Company.

Mr. Chan completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled "Professional certificate in business management" co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan has more than 25 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000. He was responsible for the operation and management of the Group's business since he joined the Group.

Mr. Chan did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Ng Ming Ho (吳明豪), aged 48, was appointed as an executive Director on 15 June 2016 and is responsible for the overall management and administration of the Group's business, and overseeing the operation of the Group. Mr. Ng joined the Group in September 2002. Mr. Ng completed his secondary education in Hong Kong in 1987 and a two-year part-time evening post-secondary 3 course at Morrison Hill Technical Institute in July 1996. He was awarded with a Level 1 certificate in book-keeping from the London Chamber of Commerce and Industry in 2003. He has more than 25 years of administrative and office management experience. Prior to joining the Group, he had been employed by JEFT International Limited as office manager from June 1989 to July 2002.

Mr. Ng did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Shing (郭志成), aged 55, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Kwok obtained a Master of Arts in Economics with Accountancy with Honours from the University of Aberdeen in the United Kingdom in July 1986. He was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in January 1991 and an associate of the Taxation Institute of Hong Kong in May 1992. He was admitted as a certified tax adviser in May 2010.

Mr. Kwok has over 20 years of experience in audit assurance, cross border taxation assignments and project financing. Mr. Kwok has been an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65) (formerly known as Angels Technology Company Limited, the share of which were transferred from GEM to the Main Board on 22 June 2009) with effect from 27 January 2006. He was the director of Lam, Kwok, Kwan & Cheng C.P.A. Limited from February 1999 to May 2010 and has been the director of LKKC C.P.A. Limited since December 2007. Prior to that, he was one of the partners at Wong Lam Leung & Kwok from August 1993 to February 1999. Save as disclosed above, Mr. Kwok was not a director in any other listed companies during the three years immediately preceding the date of this annual report.

Mr. Kwok was a director of the following companies that were incorporated in Hong Kong, and subsequently struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance, which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies. Mr. Kwok confirmed that the company was solvent and inactive at the time of strike off and that its dissolution had not resulted in any liability or obligation against him. The following table details the aforementioned companies that were struck off:

Name of company	Nature of business	Date of strike off notice	Date of strike off
China Investment Consultants Limited	Inactive	5 September 2003	20 February 2004
HKU Professional Diploma in Real Estate Administration Alumni Limited	Inactive	16 October 2009	26 March 2010

Ms. Chan Siu Lai (陳小麗), aged 47, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. She is the chairlady of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Ms. Chan obtained a bachelor degree of art major in law and management science from the University of Keele in the United Kingdom in June 1992. She has been admitted as a solicitor in Hong Kong since July 1996, and a solicitor in England and Wales since February 2002. From November 2000 to January 2016, Ms. Chan worked for INCE & Co. as an assistant solicitor. Ms. Chan is currently a claims executive lawyer at Gard (HK) Limited.

Ms. Chan did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Ma Kwok Fai, Edwin (馬國輝), aged 44, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Mr. Ma obtained a bachelor degree of arts in clothing studies from The Hong Kong Polytechnic University in November 1998. Mr. Ma has over 13 years of experience in the magazine publishing industry. He was previously employed by Li & Fung (Trading) Limited as an assistant merchandiser from September 1998 to January 1999. He has joined MRRM Publishing Limited in Hong Kong since January 2003 and his current position is fashion director and associate publisher.

Mr. Ma did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Ms. Sze Yee Kwan (施懿君), aged 47, joined the Group in March 2004 as a senior merchandiser and was subsequently promoted to the position of chief executive officer assistant in February 2007. She is primarily responsible for assisting in overseeing and supervising the day-today management of the design and promotion department, and purchasing department of the Group. Ms. Sze was awarded with Level 2 certificate in book-keeping and accounts from the London Chamber of Commerce and Industry in April 1990. She also obtained a diploma in business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1991 and a certificate course in fashion and clothing manufacture from The Hong Kong Polytechnic University in August 1998. In February 2005, she obtained a Level 3 certificate of Japanese Language Proficiency Test.

Ms. Sze has over 20 years of experience in the apparel industry. Ms. Sze worked for Chungkuo Chung Fah Co. Ltd. from July 1991 to June 1994. She was employed by Fashion Resources Limited as senior merchandiser from June 1994 to March 1997. From June 1997 to March 1998, she worked for Chamtex Limited as a senior merchandiser. From May 1998 to September 2002, Ms. Sze re-joined Fashion Resources Limited as a senior merchandiser. Prior to joining the Group, she worked for Gracedon Knitters Limited as a senior merchandiser since October 2002.

Ms. Sze has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

Ms. Wong Lai King (黃麗琼), aged 48, joined the Group in October 2001 as a senior merchandiser and was subsequently promoted to the position of division merchandising manageress in February 2013. She is primarily responsible for merchandising management of the Group. Ms. Wong completed a part-time evening training course in pattern making (outerwears) at the Clothing Industry Training Authority in Hong Kong in June 1991 and obtained a diploma in fashion management from The George Brown College of Applied Arts and Technology in Toronto, Canada in June 1994. Ms. Wong has over 15 years of working experience in the apparel industry. Ms. Wong was employed by Tillsonburg Company Limited as merchandising assistant from July 1990 to December 1991. She then worked for Green Top Production, Inc. as merchandiser from August 1994 to December 1995. Prior to joining the Group, Ms. Wong was employed by Prominent Apparel Limited as merchandiser from April 1996 to August 2001.

Ms. Wong has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

Ms. Wu Yu Lim, Winnie (鄔瑜廉), aged 42, joined the Group in September 2015 as the chief financial officer and company secretary of the Group. She is primarily responsible for the financial reporting, treasury, financial control and company secretarial matters of the Group. Ms. Wu obtained a bachelor degree in accountancy from the University of South Australia in Australia in March 2007 and a diploma in finance from Lingnan University in November 2003. She has been a member of The Hong Kong Institute of Certified Public Accountant since November 2009 and a member of Certified Public Accountant Australia since February 2009. Ms. Wu has over 10 years of accounting and company secretarial experience. Prior to joining the Group, Ms. Wu was employed by SDM Group Holdings Limited (stock code: 8363) as a senior finance manager from April 2014 to July 2015. Before that, she served as a financial controller and company secretary in Chinese Food and Beverage Group Limited (stock code: 8272) between January 2013 and November 2013. In addition, Ms. Wu was employed as finance manager in PME Group Limited (stock code: 0379) from June 2009 to December 2012 and served as accounting manager in New Capital International Investment Limited (stock code: 1062) from May 2006 to June 2009.

Ms. Wu has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Since the Listing, the Board recognised that transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors of the Company believe that good corporate governance provides a framework that is essential for effective management, successful business growth and healthy corporate culture in return for the benefits of the Company's stakeholders as a whole.

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company.

The Board is pleased to report the compliance of the Company with the code provisions of the CG Code for the period from the Listing Date to the date of this report (the "**Relevant Period**"), except where otherwise stated. During the Relevant Period, the Company has complied with all the code provisions as set out in the CG Code except the deviation from the paragraph A.2.1 of the CG Code, details of which are set out in the section headed "Chairman and Chief Executive Officer" in this corporate governance report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the Relevant Period.

BOARD OF DIRECTORS

Composition of the Board

Currently, the Board comprises:

Executive Directors

Mr. Chan Wing Kai *(Chairman and chief executive officer)*	*(appointed as a Director on 19 November 2015 and designated as an executive Director on 15 June 2016)*
Mr. Ng Ming Ho	*(appointed on 15 June 2016)*

Independent non-executive Directors

Mr. Kwok Chi Shing	*(appointed on 23 January 2017)*
Ms. Chan Siu Lai	*(appointed on 23 January 2017)*
Mr. Ma Kwok Fai, Edwin	*(appointed on 23 January 2017)*

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 16 of this annual report.

There was no financial, business, family or other material relationship among the Directors save as disclosed in the section headed "Biographical Details of Directors and Senior Management" above.

Each independent non-executive Director has given a written confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

Regular Board meetings will be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each director at the Board meetings held during the Relevant Period is set out in the table below:

Name of Directors	Board meeting attended/ eligible to attend
Mr. Chan Wing Kai	1/1
Mr. Ng Ming Ho	1/1
Mr. Kwok Chi Shing	1/1
Ms. Chan Siu Lai	1/1
Mr. Ma Kwok Fai, Edwin	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. All the Directors should make decisions objectively in the interests of the Company. The Board focuses on formulating the Group's overall strategies; authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; and setting the Group's values and standards. The day-to-day management, administration and operation of the Group are delegated to the executive Directors and the senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

During the Relevant Period, the Company had a minimum of three independent non-executive Directors and at all times met the requirements of the GEM Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members and at least one of the independent non-executive Directors had appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive Directors are invited to serve on the audit committee, the remuneration committee and the nomination committee of the Company.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance function such as (i) developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management of the Company, and (ii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and developing, reviewing and monitoring the code of conduct of the Directors, etc.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Draft minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The company secretary of the Company is responsible for keeping the minutes of all meetings of the Board and the Company's committees. Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensuring that all required procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the Relevant Period, the Group has complied with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Mr. Chan is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Chan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting (the "**AGM**"), one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement at an AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence and must provide an annual confirmation of his/her independence to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate. A record of the training received by the respective Directors should be maintained and updated by the company secretary of the Company. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

Immediately prior to the Listing, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. During the Relevant Period, all the Directors namely Mr. Chan Wing Kai, Mr. Ng Ming Ho, Mr. Kwok Chi Shing, Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin had attended training sessions arranged by professional firms.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") on 23 January 2017, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee of the Company was established in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the scope of audit and making recommendation to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this annual report, including the audited consolidated results of the Group for the year ended 31 March 2017.

According to the current terms of reference, the Audit Committee shall meet at least four times for a financial year. The Audit Committee held a meeting on 23 June 2017 to (i) review and approve the annual financial results in respect of the year ended 31 March 2017; (ii) discuss and consider the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems; (iii) review the appointment of external auditors and relevant scope of works; and (iv) review and consider continuing connected transactions. The record of attendance of each member of the Audit Committee is set out as follows:

Name of members of the Audit Committee	Meeting attended/ eligible to attend
Mr. Kwok Chi Shing	1/1
Ms. Chan Siu Lai	1/1
Mr. Ma Kwok Fai, Edwin	1/1

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently consist of three members, namely Ms. Chan Siu Lai (the Chairlady of the Remuneration Committee), Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; and ensure none of the Directors or any of his/her associates (as defined in the GEM Listing Rules) determine his/her own remuneration.

No meeting was held by the Remuneration Committee during the Relevant Period.

Details of emoluments of the Directors and senior management of the Group for the year are set out in note 10 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Nomination Committee of the Company consists of three members, namely Mr. Ma Kwok Fai, Edwin (the Chairman of the Nomination Committee), Ms. Chan Siu Lai and Mr. Kwok Chi Shing all being independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board at least annually; identify individuals suitably qualified to become Board members; access the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. Upon the establishment of the Nomination Committee, the Board has adopted a policy of diversity of the Board. Accordingly, selection of Board members should base on a range of diversified perspective, including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee held a meeting on 23 June 2017 to review the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2017 AGM, to review the structure, size and composition of the Board and to review the nomination policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The record of attendance of each member of the Nomination Committee is set out as follows:

Name of members of the Nomination Committee	Meeting attended/eligible to attend
Mr. Ma Kwok Fai, Edwin	1/1
Ms. Chan Siu Lai	1/1
Mr. Kwok Chi Shing	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders of the Company. A statement by the external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility is set out in the independent auditor's report from page 43 to 48 of this annual report.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for overseeing and reviewing the effectiveness of the Group's risk management and internal control systems. The Board with the assistance of the Audit Committee has conducted a review of, and the Board is satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group for the Relevant Period.

The Directors of the Company recognise the need for risk management and internal control in the Group's strategic and operational planning, day-to-day management and decision making process and are committed to manage and minimise the risks that may impact on the continued efficiency and effectiveness of the Group's operations or prevent it from achieving its business objectives. During the year ended 31 March 2017, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") to undertake a review on the internal control system on entity-level controls, revenue and receipts, procurement and payments, inventory management, fixed assets management, cost of services and payment, human resources and payroll management, bank and cash management, financial statements closure and reporting, information technology general controls and compliance procedures of certain rules and regulations. According to the report from the Internal Control Adviser, internal control measures are adequate and effective for the Group's operations.

During the Relevant Period, the independent non-executive Directors have reviewed the enforcement of the controlling shareholders' undertaking in relation to the deed of non-competition in favour of the Company, details of which are set out in the Prospectus, and confirmed that there are no other matters in relation to the aforesaid undertakings which should be brought to the attention of the Shareholders of the Company.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the year ended 31 March 2017, the fees paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

Services rendered	**Fees paid/ payable** HK$'000
Statutory audit services	400
Non-audit services for acting as reporting accountant for the Listing and tax services	2,663
	3,063

COMPANY SECRETARY

Ms. Wu Yu Lim, Winnie, the chief financial officer of the Company, was appointed as company secretary of the Company (the "**Company Secretary**") on 15 June 2016. The biographical details of Ms. Wu are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. For the year ended 31 March 2017, the Company Secretary undertook no less than 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interest and rights, separate resolutions can be proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting ("**EGM**").

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an EGM are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) Any one or more member(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") with which stating the purposes of the meeting, signed by the Eligible Shareholder(s) concerned to the Board or the Company Secretary at the Company's principal place of business at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong;

(c) The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by Eligible Shareholder(s) concerned in accordance with the statutory requirements to all registered shareholders;

(d) The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the request has been verified not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

(e) If within 21 days from the date of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

The notice period to be given to all the registered members for consideration of the proposal raised by the Eligible Shareholder(s) concerned should be at least 14 clear day's notice in writing and not less than 10 clear business days.

RIGHT OF RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong (detail of which are set out in the section headed "Corporate Information" of this annual report.

All any other enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to ir@speedapparel.com.hk for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

There are no provisions allowing Shareholders to move new resolutions at the general meeting under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move to a resolution may by means of Requisition convening an EGM following the procedures set out above.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting; the annual, interim and quarterly reports; notices, announcements, circulars and the Company's website at www.speedapparel.com.hk.

During the Relevant Period, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (THE "ESG") REPORT

The Board is pleased to present the first ESG report of the Group for the year ended 31 March 2017 (the "**Reporting Period**") prepared in accordance with the Appendix 20 Environmental, Social And Governance Reporting Guide (the "**ESG Reporting Guide**") of the GEM Listing Rules. The purpose of this report is to disclose the Group's management policies and strategies regarding its substainable development to all stakeholders.

The Group is committed to becoming an enterprise with high level of social responsibility and understands the importance of substainable development of its business and community. The Group pursues rewarding Shareholders with better value, provision of high quality products and services to customers and provision of adequate and competitive benefits for employees.

As this is the first ESG report of the Group it would present mainly policies, initiatives and performance of the Group for the year ended 31 March 2017. The ESG report of the Group has been presented into two subject areas, namely environmental protection and corporate social responsibilities, and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide.

ENVIRONMENTAL PROTECTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominately in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. All of the knitwear products were produced by the third-party manufacturers engaged by the Group. Hence, the relevant environmental laws and regulations are not applicable to the Group. Notwithstanding the aforementioned, the Group required its suppliers to comply with the relevant laws and regulations relating to not only environmental but also labor, social and safety. The Group also implemented environmental protection policies in order to reduce the possible pollution resulted from its business activities on the environment. These policies including but not limited to the policies on reducing CO_2 emission and water consumption, waste management and other eco-friendly measurements in our business operations. The Group implemented these policies through (i) reminding staff to switch the light on only when it is needed and turn off when staff are out of office; (ii) reminding staff to set the temperature of air-conditioner to an energy-efficient level; (iii) emphasis on the use of recycle paper when printing the internal documents and double-sided printing for external documents; and (iv) reminding staff and relevant persons in charge to process daily waste properly and to treasure water resources and avoid wasting. The Group continues to review the environmental impact of its operations and assess whether its environmental protection policies are in compliance in all material respects with applicable environmental laws and regulations in Hong Kong and the PRC.

CORPORATE SOCIAL RESPONSIBILITIES

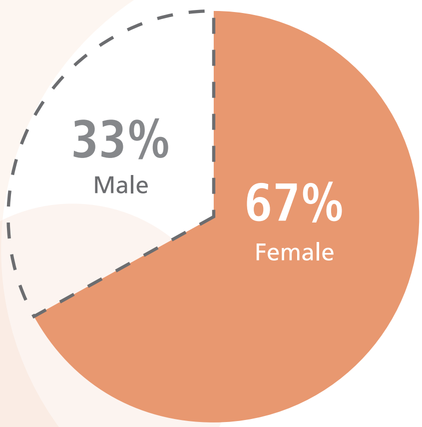
Working Environment

As an enterprise with social responsibility, the Group shall not only be accountable for customers, but also its employees. When seeking for accomplishment of economic targets, the Group also assumes responsibility to the society, which in turn enables it to achieve sustainable development. The Group values its employees as they are key to success. It commits to provide a working place without discrimination and equal opportunities for all staff.

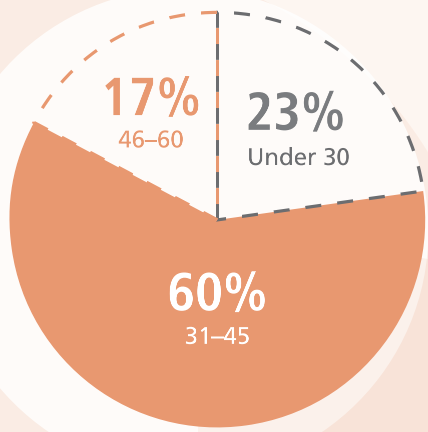
Staff annual leaves and benefits packages of the Group were enforced with reference to the local labour laws. The Group rewards employees with fair remuneration based on an individual's work performance in order to inspire their working enthusiasm. Further, the Group adopts an incentive system under which management's remuneration is related to the Group's operating results, which provides reasonable rewards to the managments of the Group.

As at 31 March 2017, the Group had a total of 75 permanent full-time employees. The breakdown of the total number of employees is set out below by gender and age group, respectively:

Total Number of Employees by Gender



Total Number of Employees by Age Groups



To the best knowledge of the Board, there is no material violation of relevant standards, rules and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, fair opportunity, diversity and other remuneration package and benefits during the Reporting Period.

Health and Safety

To indicate its care for employee's health and safety, the Group established safe and healthy working environment for all employees by establishing monitoring procedures for safety management.

During the Reporting Period, the Group had no record of any safety accident that leads to death or major injuries, with safety maintained at a stable level. The percentage ratio of working days lost by the Group due to work related injury was 0% in general. To the best knowledge of the Board, there is no material violation of relevant standards, rules and regulations regarding provision of safe working environment and protecting employees from occupational damage during the Reporting Period.

Labour Standard

The Group strictly complied with relevant laws and regulations in respect of minimum working age. The Group properly handled child labour issues in accordance with requirements of social responsibility management and regulations to prohibit all departments employing child labour.

The Group established management policy for forced labour and captive labour to prohibit any forced labour and regulate that employees of the Group must be employed voluntarily, undertaking that (i) no forced acts would be allowed; (ii) no deceptive means shall be applied in attracting workers to work in the Group; and (iii) no threat or punishment to gain any benefit from employees or force employees to work.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

Development and Training

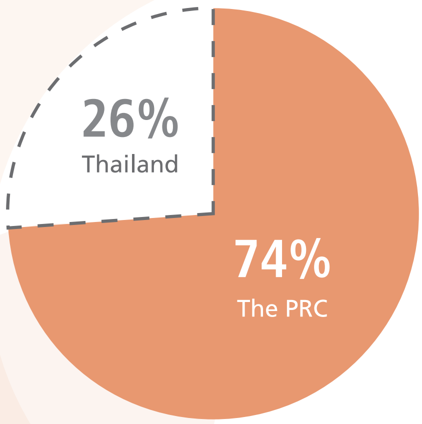
The Group pays much attention to occupational development of employees. As such, it has made a series of systems to provide system guarantee for employee's occupational development and corporate growth. The staff may pursue, depending on their working capabilities, personal development by means of promotion from junior to senior position.

The Group mainly provides on job trainings for the new employees serving the basic positions. In particular, employees with adequate experiences are designated to guide the new ones to process their works, aiming to improve new employees' expertise and skills as required for works and also assist them to adapt to the operation and culture of the Company as soon as possible. During the year, added to the on job training, the staff were also provided with a Japanese study programme in the office from a Japanese native teacher as organized by the Group. The Group also organized the social activities to build team work spirit such as christmas party and annual dinner.

Supply Chain Management

To focus the resources on the provision of apparel supply chain management services, the Group does not own or operate any manufacturing operations. Instead, the Group outsourced the labour intensive manufacturing process to third party manufacturers with manufacturing operations in the PRC and/or Thailand. The Group strives to improve the supply chain management of the Group. The Group has established procedures and a complete monitoring system for selection of third party manufacturers including but not limited to the ability and efficiency of third-party manufacturers to produce apparel products for its customers. The operation model of the Group is to manage the third-party manufacturers of different scales, the Group does not enter into any long term contracts with the third-party manufacturers and the Group engages them on a case-by-case basis depending on the needs and requirements of the customers. The Group sets standards and goals and provides data analysis to measure the performance of supply chain. In addition, the Group closely cooperates with yarn suppliers, third party manufacturers and customers to ensure providing the latest information on customer demand at every stage of supply chain, and pays attention to the signal of market demand and makes corresponding improvements.

Number of Suppliers by Geographical Area



The Group set up strict guidelines to prevent any employee, outsourcing contractor or supplier from breaching the anti-corruption guideline requirements by implementing appropriate disciplinary punishment. The Group also stated in its anti-corruption policy that it will not work with suppliers who has violated the requirements.

The Group complied with the child labour and forced labour law. Suppliers were also required to comply the same. The Group also require suppliers to comply with all relevant laws and regulations to ensure health and safety of employees in all operating conditions and environment.

Product Liability

As an apparel supply chain management services provider, the Group's services encompass the total supply chain from the selection of raw materials until the final delivery of finished products to the customers at their designated port of shipment. The Group places great emphasis on the quality of its knitwear products and the Directors believe that the commitment to the high standard for quality control of its knitwear products is one of the key factors contributing to the Group's success. Stringent quality control procedures such as inspection of the finished products by a third party inspection centre before shipping to the customers and monitoring the production process by keeping a production schedule have been established throughout the total supply chain so as to ensure the quality of the knitwear products are supplied in consistently reliable and high standard.

To ensure that the quality of the knitwear products are in conformity with the customers' specifications, the Group will perform random checking on semi-finished products produced by the third-party manufacturers at various stages of the production process. To ensure that the colour conforms to the customers' specifications and standards, the Group will visually inspect the colour on the semi-finished and finished products with colour check light box. The merchandising quality control staff will check whether the semi-finished products are free from major defects and to ensure that the knitting patterns match the customers' design and specifications. Before packaging for delivery, all finished products will be checked by a third-party inspection centre. Any products that fail to meet the standards will be notified to the third-party manufacturers for rectification.

As an apparel supply chain management services provider, the Group respects intellectual property rights. The Group is committed to protecting trademarks of customers and restricts any person from using the trademarks on any other unauthorized purposes.

During the Reporting Period, the Group has complied with the relevant requirements on product liabilities, for example health and safety, advertising, labeling and private information of the products and services. The Group has not recovered any products for safety and health reasons or found any significant complaints on products and services.

Anti-Corruption

The Group operated under integrity and moral principles. The Group established relevant standard and complied with laws and regulations, prohibiting staff from receiving any benefits from the suppliers, customers or any parties having business or commercial relationship with companies under the Group or offering benefits to the same. The Group requires (i) all employee shall comply with code of business conduct and ethics; (ii) employees are prohibited to, through taking advantage of their positions, offer any reward or other benefits to or receive the same from customers, suppliers or any parties having business with the Company; and (iii) all suppliers or individuals dealing business with the Company shall not offer commercial bribe or transfer other benefits by any means to employees or management of the Group.

The Group requires every employee to comply with the code of employees and delegates appropriate authority to employees in every post of job to avoid abuse of his or her duties for profiteering or suspected conflicts of interest. As the Group's businesses involve the customers' personal data, the Group has established confidentiality codes and relevant guidelines for the employees to reduce the risk of information leakage.

The Group prohibits employees from using the seal without permission, signing beyond one's authority, and approving the signing of external contracts or terminating it, and varying performance of relevant contracts. The reporting system of the Group allows employees to report any suspected misconduct or frauds to relevant department head through effective channels.

During the Reporting Period, there was no litigation occurred charging against the Group or its employees were charged for any corruption offences. The operation of the Group has complied with policies and relevant laws and regulations regarding anti-bribery, extortion, fraud and money laundering.

Community Investment

Recognizing that bringing resources to the community while at the same time contributing to the economy and environment would benefit the society in the long run, the Group has devoted time and effort to return to the society as it has always encouraged its employees to take part into supporting environmental protection such as energy saving initiative and volunteer work for the community. In the future, the Group will (i) seek opportunities to work with charitable organisations to get involved in various community programmes and contribute to the society; (ii) promote the health of its employees and customers by organizing and taking part in sports and fitness activities; and (iii) make donation to charitable organisations.

Report of The Directors

The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 19 November 2015.

In preparing for the Listing, the Company became the holding company of the companies now comprising the Group underwent the Reorganisation, details of the Reorganisation are set out in note 2 to the consolidated financial statements of this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statements of profit or loss and other comprehensive income on page 49 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the year, the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Furthermore, a fair review of, and an indication of likely future development in the Group's business are set out in the section headed "Chairman's Statement" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of principal risks including currency risk, interest rate risk, credit risk and liquidity risk. The risk management policies and practices of the Group are shown in note 28(b) to the consolidated financial statements.

Furthermore, there are certain other risks involved in the Group's operations which are beyond its control. In particular, the Group relies on several major customers and the Group does not enter into any long term contracts with them. The Group also faces business risks such as (i) any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business; (ii) there are time lags between making payments to the Group's suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group's cash flow and financial position; (iii) the Group has relatively thin net profit margin and is highly sensitive to any unfavourable change in the cost of sales, selling price and sales volume; (iv) any further decrease in retail sales value and sales volume of Japan apparel retail market may adversely affect the Group's operating result and performance; and (v) the Group's performance and profitability may be affected by the fluctuation of exchange rate of Japanese Yen.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest three financial years is set out on page 102 of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer its new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the consolidated financial statements of the Group and in the consolidated statement of changes in equity on page 52 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, is nil (2016: Nil) as there was total deficit of approximately HK$14,982,000 (2016: total deficit of approximately HK$3,248,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest and five largest customers' aggregate amount represented approximately 47.9% (2016: approximately 50.8%) and 89.5% (2016: approximately 90.4%) of the Group's total revenue respectively. The Group's largest and five largest suppliers' aggregate amount represented approximately 26.4% (2016: approximately 31.0%) and 73.0% (2016: approximately 71.3%) of the Group's cost of sales respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the GEM Listing Rules) nor any Shareholders who or which own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers and/or suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Chan Wing Kai *(Chairman and chief executive officer)*	*(appointed as a Director on 19 November 2015 and designated as an executive Director on 15 June 2016)*
Mr. Ng Ming Ho	*(appointed on 15 June 2016)*

Independent non-executive Directors

Mr. Kwok Chi Shing	*(appointed on 23 January 2017)*
Ms. Chan Siu Lai	*(appointed on 23 January 2017)*
Mr. Ma Kwok Fai, Edwin	*(appointed on 23 January 2017)*

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to Article 84(1) of the Articles, notwithstanding any other provisions in the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he or she has agreed to act as an executive Director for an initial term of three years with effect from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect from the Listing Date. Save for the Directors' fees, none of the independent non-executive Directors is expected to receive any other emolument for holding his or her office as a non-executive Director or an independent non-executive Director.

Save as disclosed above, none of the Directors has proposed or entered into any service agreement or appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 10 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the share option scheme.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Since the Shares of the Company were not listed on the Stock Exchange as at 31 March 2017, Divisions 7 and 8 of Part XV of the SFO, section 352 of the SFO and the Model Code contained in the GEM Listing Rules were not applicable to the Company, the Directors and chief executive of the Company as at 31 March 2017.

As at the date of this report, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

Name of Director	**Nature of interest/ Holding capacity**	**Number of ordinary shares held**	**Percentage of issued share capital of the Company** (Note 1)
Mr. Chan Wing Kai	Interest of a controlled corporation	375,000,000 (L) (Notes 2, 3)	75%

Notes:

1. As at the date of this report, the Company's issued ordinary share capital was HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each.

2. Speed Development Co. Ltd ("**Speed Development**"), a company incorporated in the British Virgin Islands on 12 November 2015 and an investment holding company, is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.

3. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any other interest or a short position 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) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Since the Shares of the Company were not listed on the Stock Exchange as at 31 March 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders as at 31 March 2017.

As at the date of this report, so far as it is known to the Directors, the following persons, other than Directors or chief executive of the Company, who held interest or short position in the Company's Shares and underlying Shares were recorded in the register of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Substantial Shareholders	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of interests in the issued share capital of the Company (Note 1)
Speed Development	Beneficial owner	375,000,000 (L) (Notes 2, 3)	75%
Ms. Cheung Hung ("**Ms. Cheung**")	Spouse interest	375,000,000 (L) (Note 4)	75%

Notes:

1. As at the date of this report, the Company's issued ordinary share capital was HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each.

2. Speed Development is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.

3. The letter "L" denotes the person's long position in the Shares.

4. Ms. Cheung is the spouse of Mr. Chan. She is deemed to be interested in the Shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executives of the Company who held interest or short position in the Shares and underlying Shares of the Company which required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

SHARE OPTION SCHEME

On 8 May 2017, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to a resolution passed by its shareholders on 8 May 2017, for the primary purpose of providing incentives or rewards to eligible employees and other selected participants as specified under the Scheme. The adoption of the Scheme became unconditional upon the listing of the Company on 31 May 2017.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of shares in issue on the date of listing on the Stock Exchange, without prior approval from the Company's shareholders. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on GEM of the Stock Exchange, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the shareholders' approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of the offer grant. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share. No share option has been granted since the adoption of the Scheme. The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 25(b) to the consolidated financial statements of this annual report, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this annual report, none of the Directors or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Mr. Chan and Speed Development executed on 8 May 2017 in favour of the Company (for itself and as trustee for its subsidiaries), details of which were set out in the section headed "Relationship with the Controlling Shareholders — Non-competition Undertakings" in the Prospectus, has been fully complied and enforced since the Listing Date and up to the date of this annual report

The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Messis Capital Limited ("**Messis**") to be the compliance adviser. As informed by Messis, neither Messis nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Messis dated 15 May 2017.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are set out in note 25(b) to the consolidated financial statements in this annual report. Save as the rental expense paid to the related company, which constitute continuing connected transactions and are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, none of these related party transactions constituted a connected transaction as defined under the GEM Listing Rules during the year.

Details of the connected transactions are summarized in the paragraph headed "Continuing Connected Transactions" below.

CONTINUING CONNECTED TRANSACTIONS

Tenancy agreement between the Group and Firenze Apparel Limited ("Firenze")

On 7 March 2016, Speed Apparel (HK) Limited ("**Speed Apparel HK**"), a subsidiary of the Company, entered into a tenancy agreement ("**Tenancy Agreement**") for the leasing of the property located at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong (the "**Property**") to the Group for a monthly rent of HK$100,000 from 1 February 2016 to 31 January 2019 (both days inclusive). The Property was used as a head office and the principal place of business of the Group in Hong Kong. Pursuant to the Tenancy Agreement, Firenze agreed to pay management fee and government rates and rent. The monthly rent under the Tenancy Agreement was determined on an arm's length basis between the parties thereto by reference to the prevailing market rates. The total aggregate of rental paid by the Group under the Tenancy Agreement was HK$1,200,000 for the year ended 31 March 2017.

Since Firenze is owned as to 100% by Mr. Chan, being an executive Director, the chief executive officer of the Company and a substantial shareholder, Firenze will become a connected person of the Company upon Listing under the GEM Listing Rules. As such, the leasing of the Property by the Company from Firenze under the Tenancy Agreement constituted a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since the aggregate annual consideration is less than HK$3,000,000, the transactions under the Tenancy Agreement fall within the de minimis threshold and constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the Tenancy Agreement and the transactions contemplated thereunder will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The continuing connected transaction mentioned above has been reviewed by the independent non-executive Directors as they consider that the Tenancy Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms, and the terms of and transactions contemplated under the Tenancy Agreement and the annual caps set out above are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Company were entered into or existed during the year ended 31 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 32 to the consolidated financial statements of this annual report, there is no other significant event after the reporting period of the Group.

AUDITOR

Deloitte Touche Tohmatsu was the reporting accountants of the Group for the purpose of the Listing of the Company's Shares on GEM of the Stock Exchange. Deloitte Touche Tohmatsu was appointed by the Directors as the first auditor of the Company. The Group's consolidated financial statements for the year ended 31 March 2017 have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board
Chan Wing Kai
Chairman and Executive Director

Hong Kong, 23 June 2017

Independent Auditor's Report

Deloitte. 德勤

To The Members of Speed Apparel Holding Limited
尚捷集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Speed Apparel Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 49 to 101, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for inventories	
We identified the provision for inventories as a key audit matter due to the management judgement involved in assessing whether the carrying amount of inventories was recoverable. As disclosed in note 5 to the consolidated financial statements, in estimating the net realisable values and determining the provision for inventories, the management takes into account the physical conditions of the inventories, aging analysis, subsequent sales or usage of inventories and latest selling prices less estimates for costs of completion and costs to make the sales. As disclosed in note 15 to the consolidated financial statements, the carrying amount of the Group's inventories as at 31 March 2017 was HK$7,137,000. No provision for inventories had been recognised in profit or loss during the year ended 31 March 2017 and no balance of provision for inventories had been recognised as at 31 March 2017.	Our procedures in relation to provision for inventories included: • Understanding management's assessment in estimating the net realisable values of the inventories and the internal procedures for making provision to write off or write down inventories to their net realisable values; • Assessing the reasonableness of management's estimates of the net realisable value of inventories with reference to their physical conditions, aging of the inventories, sales or usage of inventories subsequent to the end of reporting period, latest selling prices, estimates for costs of completion and costs to make sales; • Testing the accuracy of the aging analysis of the raw materials by, on a sample basis, checking to the goods receipt notes; • Testing the usage of inventories during the year by, on a sample basis, checking to the production reports; • Tracing, on a sample basis, the latest selling price to relevant sale invoices and contracts; and • Tracing, on a sample basis, the usage of inventories subsequent to the end of the reporting period to the relevant production reports.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the management judgment involved in determining the provision for impairment of the Group's trade receivables. As disclosed in note 5 to the consolidated financial statements, in determining the allowance for doubtful debts, the management considers the creditworthiness of the customers including default or delay in payments, settlement records, settlements of trade receivables subsequent to the end of the reporting period and aging analysis of trade receivables. As at 31 March 2017, the carrying amount of trade receivables was HK$4,617,000 as set out in note 16 to the consolidated financial statements and no provision for impairment for trade receivables had been recognised as at the same date. There had been no allowance for doubtful debt made during the year then ended.	Our procedures in relation to recoverability of trade receivables included: • Obtaining an understanding of how the recoverability of trade receivable was determined by the management; • Testing the accuracy of aging analysis of trade receivables by tracing, on a sample basis, tracking to goods delivery notes and sales invoices; • Testing the settlements of trade receivables subsequent to the end of reporting period by, on a sample basis, checking to the related sales invoices and bank records; and • Assessing the reasonableness of recoverability of trade receivables determined by the management with reference to the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and aging analysis of trade receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**430,130**	435,206
Cost of sales		**(362,946)**	(371,059)
Gross profit		**67,184**	64,147
Other income	7	**1,629**	1,486
Other loss		**(2,138)**	(2,135)
Selling and distribution expenses		**(24,101)**	(22,517)
Administrative expenses		**(21,413)**	(20,582)
Listing expenses		**(11,414)**	(3,207)
Finance costs		**(669)**	(1,359)
Profit before taxation		**9,078**	15,833
Income tax expense	8	**(2,984)**	(3,367)
Profit for the year	9	**6,094**	12,466
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(64)**	1
Total comprehensive income for the year		**6,030**	12,467
Earnings per share	12		
— Basic (HK cents)		**1.63**	3.32

Consolidated Statement of Financial Position

At 31 march 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,527**	1,361
Deferred tax asset	14	**11**	—
		1,538	1,361
CURRENT ASSETS			
Inventories	15	**7,137**	14,243
Trade and bills receivables	16	**8,008**	25,956
Other receivables, prepayments and deposits	16	**7,061**	9,976
Amounts due from related parties	17(a)	**—**	5,229
Pledged bank deposits	18	**6,011**	6,000
Bank balances and cash	18	**38,503**	20,844
		66,720	82,248
CURRENT LIABILITIES			
Trade and other payables	19	**18,276**	44,996
Amount due to a related party	17(b)	**—**	9,295
Tax payable		**3,747**	991
Bank borrowings — due within one year	20	**20,333**	8,900
Obligation under a finance lease	21	**116**	—
		42,472	64,182
NET CURRENT ASSETS		**24,248**	18,066
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,786**	19,427
NON-CURRENT LIABILITIES			
Obligation under a finance lease	21	**384**	—
Deferred tax liability	14	**—**	55
		384	55
NET ASSETS		**25,402**	19,372

Consolidated Statement of Financial Position (Continued)

At 31 march 2017

	Notes	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	22	–	4,000
Reserves		25,402	15,372
TOTAL EQUITY		25,402	19,372

The consolidated financial statements on pages 49 to 101 were approved and authorised for issue by the Board of Directors on 23 June 2017 and are signed on its behalf by:

Chan Wing Kai
DIRECTOR

Ng Ming Ho
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital HK$'000 (Note 22)	Special reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note iii)	Exchange reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2015	4,000	(18,440)	—	—	52,162	37,722
Profit for the year	—	—	—	—	12,466	12,466
Exchange differences arising on the translation of foreign operations	—	—	—	1	—	1
Total comprehensive income for the year	—	—	—	1	12,466	12,467
Movement of the Other Assets and Liabilities (as defined in note 2), net	—	(789)	—	—	—	(789)
Arising from the Business Transfer (Note ii)	—	—	—	—	(30,028)	(30,028)
At 31 March 2016	4,000	(19,229)	—	1	34,600	19,372
Profit for the year	—	—	—	—	6,094	6,094
Exchange differences arising on the translation of foreign operations	—	—	—	(64)	—	(64)
Total comprehensive (expense) income for the year	—	—	—	(64)	6,094	6,030
Arising from the Reorganisation (as defined in note 2)	(4,000)	—	4,000	—	—	—
At 31 March 2017	—	(19,229)	4,000	(63)	40,694	25,402

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 March 2017

Notes:

(i) Special reserve represents the corresponding movements in resources of the Group as a result of the changes in the bank accounts of Speed Apparel Limited ("**Speed Apparel**") and Firenze Apparel Limited ("**Firenze Apparel**"), none of these entities formed part of the Group but are held and controlled by Mr. Chan Wing Kai ("**Mr. Chan**"), being the controlling shareholder of the Group, as a result of transactions relating to the Other Assets and Liabilities (as defined in note 2) which were reflected in the consolidated financial statements throughout the year ended 31 March 2016 and up to the date of Business Transfer (as defined in note 2), as set out in further details in note 2.

(ii) On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business (as defined in note 2) carried out by Speed Apparel and Firenze Apparel except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings as at the date of the Business Transfer were formally transferred to Speed Apparel (HK) Limited ("**Speed Apparel HK**"), a subsidiary of the Company.

Building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business amounting to HK$41,200,000 and the associated bank borrowings amounting to HK$11,172,000, carrying amounts as at the date of Business Transfer, were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016. Following the completion of the Business Transfer, one of the building properties has been leased to the Group, as set out in further details in notes 23 and 25(b).

(iii) Capital reserve represents the difference between the nominal value of the one share of the Company issued as part of the Reorganisation to acquire Knit World International Limited ("**Knit World**"), a subsidiary of the Company, from Mr. Chan and the nominal value of the then issued share capital of Knit World.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 **HK$'000**	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**9,078**	15,833
Adjustments for:		
Depreciation of property, plant and equipment	**785**	1,713
Finance costs	**669**	1,359
Interest income	**(15)**	(124)
Operating cash flows before movements in working capital	**10,517**	18,781
Decrease in inventories	**7,106**	18,037
Decrease (increase) in trade and bills receivables	**17,930**	(16,157)
Decrease (increase) in other receivables, prepayments and deposits	**2,913**	(8,552)
Decrease (increase) in amounts due from related parties	**5,229**	(5,229)
Decrease in amounts due to related parties	**—**	(118)
(Decrease) increase in trade and other payables	**(26,740)**	3,729
Cash generated from operations	**16,955**	10,491
Income tax paid	**(294)**	(1,982)
NET CASH FROM OPERATING ACTIVITIES	**16,661**	8,509
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(326)**	(95)
Placement of pledged bank deposits	**(11)**	(70)
Interest received	**15**	124
Withdrawal of pledged bank deposits	**—**	737
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(322)**	696
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(77,616)**	(24,305)
Repayment to related parties	**(9,296)**	(31)
Interest paid	**(669)**	(1,359)
Repayment of obligation under a finance lease	**(125)**	—
Advance from a related party	**1**	—
New bank borrowings raised	**89,049**	8,900
Cash inflows from Other Assets and Liabilities	**—**	475
Cash outflows from Other Assets and Liabilities	**—**	(1,264)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,344**	(17,584)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**17,683**	(8,379)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**20,844**	29,223
Effect of foreign exchange rate changes	**(24)**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**38,503**	20,844
Represented by:		
— Bank balances and cash	**38,503**	20,844

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 November 2015. The shares of the Company have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 31 May 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report. The Company's immediate and ultimate holding company is Speed Development Co. Ltd ("**Speed Development**"), a limited liability company incorporated in the British Virgin Islands.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the functional currency of the Company, United States dollars ("**US$**"). The directors of the Company consider that presenting the consolidated financial statements in HK$ is more preferable as the Group's principle place of business is in Hong Kong.

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically, the Group's principal business, which are the selling of apparel products together with the provision of related supply chain management services to its customers (the "**Garment Business**"), was carried out by three entities, namely, Speed Apparel, Firenze Apparel and Knit World. All of Speed Apparel, Firenze Apparel and Knit World have always been under the control of Mr. Chan, the controlling shareholder of the Group.

In preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") underwent a group reorganisation (the "**Reorganisation**"), which mainly involved (a) setting up shell entities as holding companies, (b) transferring the Garment Business from Speed Apparel and Firenze Apparel to Speed Apparel HK, and (c) the acquisition of Knit World by Speed Apparel BVI Limited ("**Speed Apparel BVI**"), a subsidiary of the Company. Pursuant to the business transfer agreements entered into among each of Speed Apparel and Firenze Apparel and Speed Apparel HK, the transfer of the Garment Business formally from Speed Apparel and Firenze Apparel to the Group was completed on 1 February 2016, including all the rights and obligations, and assets and liabilities related specifically to the Garment Business except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings which were retained by Speed Apparel and Firenze Apparel (the "**Business Transfer**"). Certain non-core assets and liabilities of Speed Apparel and Firenze Apparel that are not related specifically to the Garment Business are also not transferred to the Group and are retained by Speed Apparel or Firenze Apparel after the Reorganisation (the "**Other Assets and Liabilities**").

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Major steps of the Reorganisation are as follows:

i. On 13 November 2015, Speed Apparel BVI was incorporated with an issued and fully paid share capital of US$100 which is held and controlled by Mr. Chan.

ii. On 19 November 2015, the Company was incorporated with an issued and fully paid share capital of HK$0.01 which is held and controlled by Mr. Chan.

iii. On 26 November 2015, Speed Apparel HK was incorporated by Speed Apparel BVI in Hong Kong. Speed Apparel HK allotted and issued 10,000 shares at HK$10,000, credited as fully paid, to Speed Apparel BVI as the initial subscriber.

iv. On 8 December 2015, Mr. Chan transferred the entire issued share capital of the Company to Speed Development, a company incorporated in the BVI which is held and controlled by Mr. Chan. On the same date, Mr. Chan also transferred the entire issued share capital of Speed Apparel BVI to the Company.

v. On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business carried out by Speed Apparel and Firenze Apparel (except for building properties located in Hong Kong that served as godown and ancillary office of the Garment Business and the associated bank borrowings) as at the date of the Business Transfer were formally transferred to Speed Apparel HK. Other Assets and Liabilities in the net aggregate carrying amount of HK$30,028,000 were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan.

vi. On 23 February 2016, Speed Apparel (SZ) Trading Limited ("**Speed Apparel Shenzhen**") was established in The People's Republic of China (the "**PRC**") by Speed Apparel HK with a registered capital of RMB800,000, which has been paid up in full in April 2016.

vii. On 18 May 2016, Speed Apparel BVI acquired the entire equity interest in Knit World from Mr. Chan for a consideration settled by the issue of one new share by Speed Apparel BVI to the Company; which in turn, issued one new share to Speed Development; which in turn, also issued one new share to Mr. Chan.

The consolidated financial statements for the year ended 31 March 2016 and prior to the date of the Business Transfer aimed to include assets, liabilities, income and expenses that were related to and specifically identified for the Garment Business. Throughout the year ended 31 March 2016 and up to the date of Business Transfer, Speed Apparel and Firenze Apparel also owned Other Assets and Liabilities and the Group had segregated the relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the financial information included in the consolidated financial statements. In particular, since Speed Apparel and Firenze Apparel maintained the same bank accounts for both of their Garment Business as well as for their Other Assets and Liabilities, all cash transactions from the Garment Business and the Other Assets and Liabilities are processed through the same bank accounts, which cannot be segregated. The Group's movements of cash flows as well as changes in equity have inevitably included those related to the Other Assets and Liabilities regardless of the date of the Business Transfer, before the Garment Business was formally transferred to the Group and became distinct and separate legal entities apart from Speed Apparel or Firenze Apparel. It follows that,

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) in the consolidated statement of cash flows of the Group, any fund flows resulted in the increase and decrease of the bank accounts of Speed Apparel or Firenze Apparel as a result of transactions relating to the Other Assets and Liabilities, even though not related to the Group's Garment Business, were reflected as deemed financing cash inflows and outflows, respectively, of the Group with Mr. Chan as these represented deemed contributions from Mr. Chan and deemed distributions to Mr. Chan, respectively, and included in the Group's consolidated statement of cash flows for the period up to the date of Business Transfer; and

(b) in the consolidated statement of changes in equity of the Group, due to the fact that both the Garment Business and the Other Assets and Liabilities were under the common control of Mr. Chan, any (I) corresponding increase in resources of the Group as a result of transactions mentioned in (a) above was credited to special reserve and recognised as deemed contributions from Mr. Chan; and (II) any corresponding decrease in resources as a result of transactions mentioned in (a) above was debited to special reserve and recognised as deemed distributions to Mr. Chan.

As a result, the bank balances and cash of Speed Apparel and Firenze Apparel were reflected in the consolidated financial statements throughout the year ended 31 March 2016 and up to the date of Business Transfer. The directors of the Company believe that the method of segregation and allocation represents a reasonable basis of determining what the financial position and financial performance of the Garment Business would have been on a stand-alone basis.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 18 May 2016. As the Garment Business has been under the common control of Mr. Chan before and after the Reorganisation, as a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 March 2016 up to the date of the Business Transfer have been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Garment Business, using the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2016 include the results, changes in equity and cash flows of the Garment Business as if the Company has always been the holding company of the Group, the Garment Business has always been operated by the Group and the current group structure had been in existence throughout the year, or since the respective dates of incorporation, where this is a shorter period.

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The consolidated statement of financial position of the Group as at 31 March 2016 has been prepared to present the assets and liabilities of the Garment Business as if the Company has always been the holding company of the Group, the Garment Business has always been operated by the Group and the current group structure has been in existence at that date, taking into account the respective dates of incorporation/establishment of the relevant group entities, where applicable.

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

The Group has consistently adopted all HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which were effective for annual periods beginning on 1 April 2016 for both current and prior years.

The Group has not early applied the following new and amendments that have been issued at the date of this report but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK (IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

HKFRS 9 "Financial Instruments" (Continued)

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2017.

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

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

HKFRS 16 "Leases" (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$2,200,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company anticipate that the application of other new standards and amendments will have no material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving business under common control

The consolidated financial statement incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value of the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest in the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held operating lease, are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") and PRC state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related party and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Provision for inventories

The Group makes provision for inventories based on assessment of the net realisable value of the inventories. Inventories are written off or written down to their net realisable values where events or changes in circumstances indicate that the net realisable values are lower than the cost of inventories. In estimating the net realisable values and provision for inventories, the management takes into account the physical conditions of the inventories, aging analysis, subsequent sales or usage of the inventories, and latest selling prices less the estimates of costs of completion and cost to make sales for the products of the Group. When the actual net realisable values are lower than expectation, such difference will impact the carrying amount of inventories. The carrying amount of the Group's inventories as at 31 March 2017 amounted to HK$7,137,000 (2016: HK$14,243,000). No provision for inventories had been recognised in profit or loss during the year ended 31 March 2017 (2016: Nil) and no balance of provision for inventories had been recognised as at 31 March 2017 (2016: Nil).

Recoverability of trade receivables

The Group makes allowance for doubtful debts based on assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that any balances may not be recoverable. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables. The determination of allowance for doubtful debts takes into accounts the creditworthiness of the customers such as the history of default or delay in payments, settlement records, settlement of trade receivables subsequent to the end of reporting period and aging analysis of trade receivables. The carrying amount of trade receivables as at 31 March 2017 amounted to HK$4,617,000 (2016: HK$24,478,000). No allowance for doubtful debts for trade receivables had been provided for the year ended 31 March 2017 (2016: Nil) and no balance of provision for impairment of trade receivables had been recognised as at 31 March 2017 (2016: Nil).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on fashion trading for the year.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "**CODM**") of the Group, being the executive directors of the Company throughout the year, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their products, and its sole operating segment is the trading of garment. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with HKFRSs which is consistent with those presented in the consolidated financial statements, and without further discrete financial information. Accordingly, no analysis of segment information other than entity-wide information is presented.

The Group's operations are mainly located in Hong Kong.

Information about the Group's revenue from external customers is presented based on the geographical locations of the customers, irrespective of the origin of the goods, is detailed below:

	2017 **HK$'000**	2016 HK$'000
Japan	**394,498**	390,801
Hong Kong	**20,403**	29,515
PRC excluding Hong Kong	**10,015**	10,736
Others	**5,214**	4,154
	430,130	435,206

Information about the Group's non-current assets (exclude deferred tax asset) is presented based on the geographical location of the assets:

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**1,527**	1,361

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from customers individually contributing over 10% of the Group's revenue of the corresponding year are as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A	**206,146**	221,138
Customer B	**96,628**	90,872
Customer C	**49,846**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for that year.

7. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Sample sales income	**1,614**	1,360
Bank interest income	**15**	124
Others	**—**	2
	1,629	1,486

8. INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Current tax:		
Hong Kong Profits Tax		
— current year	**3,378**	3,121
— overprovision in prior years	**(474)**	—
PRC Enterprise Income Tax ("**EIT**")		
— current year	**146**	—
	3,050	3,121
Deferred tax (credit) expense (note 14)	**(66)**	246
	2,984	3,367

8. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the year.

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

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

	2017 **HK$'000**	2016 HK$'000
Profit before taxation	**9,078**	15,833
Tax at Hong Kong Profits tax rate of 16.5% (Note i)	**1,498**	2,612
Tax effect of expenses not deductible for tax purposes	**1,971**	592
Tax effect of income not taxable for tax purposes	**(2)**	(20)
Utilisation of tax loss previously not recognised	**(19)**	—
Overprovision in prior years	**(474)**	—
Tax effect of profit under tax concessions (Note ii)	**(40)**	(61)
Tax effect of reversal of deferred tax recognised in prior years	**—**	244
Effect of difference in tax rate of a subsidiary operating in another jurisdiction	**50**	—
Income tax expense for the year	**2,984**	3,367

Notes:

(i) The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

(ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the year. In accordance with the 2017-18 Budget and 2016-17 Budget presented by the Financial Secretary of the Government of the Hong Kong Special Administrative Region of the People's Republic of China, it was proposed that the Hong Kong Profits Tax for the years of assessment 2015/2016 and 2016/2017 be reduced by 75%, subject to a ceiling of HK$20,000 per case in the year. Certain subsidiaries of the Group operating in Hong Kong enjoyed such tax concessions for both years.

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration:		
— Fees	—	—
— Other emoluments, salaries and other benefits	2,867	2,881
— Retirement benefit scheme contributions	36	51
	2,903	2,932
Other staff costs:		
— Salaries and other benefits	21,280	19,674
— Retirement benefit scheme contributions	871	764
	22,151	20,438
Total employee benefits expenses	25,054	23,370
Interest expenses on		
— Bank borrowings	656	1,329
— Finance lease	13	—
	669	1,329
Auditor's remuneration	400	150
Depreciation of property, plant and equipment	785	1,713
Net foreign exchange losses	2,138	2,135
Cost of inventories recognised as cost of sales	362,946	371,059
Minimum operating lease rental in respect of rental premises	1,225	285
Commission expenses (included in selling and distribution expenses)	2,123	2,390
Sample charges (included in selling and distribution expenses)	6,560	5,807

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Directors' and the chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fee HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note iv)	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive directors					
Mr. Chan (note i)	–	2,210	–	18	2,228
Mr. Ng Ming Ho (note ii)	–	657	–	18	675
Independent non-executive directors (Note iii)					
Mr. Kwok Chi Shing	–	–	–	–	–
Ms. Chan Siu Lai	–	–	–	–	–
Mr. Ma Kwok Fai, Edwin	–	–	–	–	–
	–	2,867	–	36	2,903

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and the chief executive's emoluments (Continued)

	Fee HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note iv)	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2016					
Executive directors					
Mr. Chan (note i)	—	2,042	210	33	2,285
Mr. Ng Ming Ho (note ii)	—	580	49	18	647
	—	2,622	259	51	2,932

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Notes:

(i) Being appointed as a director of the Company on 19 November 2015 and was designated as an executive director on 15 June 2016. Mr. Chan is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.

(ii) Mr. Ng Ming Ho was appointed as a director of the Company on 15 June 2016.

(iii) Mr. Kwok Chi Shing, Ms. Chan Siu Lai, and Mr. Ma Kwok Fai, Edwin have been appointed as independent non-executive directors of the Company on 23 January 2017.

(iv) Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid employees of the Group during the year included two (2016: two) directors of the Company, details of whose emoluments are set out in the disclosures above. Details of the emoluments for the year of the remaining three (2016: three) individuals for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salary and other benefits	1,831	1,699
Discretionary bonus	150	824
Retirement benefits scheme contributions	54	54
	2,035	2,577

The emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	1
	3	3

There is no arrangement under which a director waived or agreed to waive any emoluments during the year. No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

11. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 March 2017 and 2016 is based on the profit attributable to the owners of the Company of HK$6,094,000 (2016: HK$12,466,000) and the number of 375,000,000 ordinary shares, which had been adjusted retrospectively for the effect of shares issued in connection with the Reorganisation as set out in note 2 and the effect of the capitalisation issue as set out in note 32(i)(b) as if both the Reorganisation and capitalisation issue had been effective on 1 April 2015.

No diluted earnings per share is presented for both years at there was no potential ordinary share outstanding.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong	**Leasehold improvement**	**Furniture and office equipment**	**Motor vehicle**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 2015	50,146	5,388	4,000	—	59,534
Additions	—	—	95	—	95
Written-off	—	(3,268)	(3,031)	—	(6,299)
Deemed distributions	(50,146)	—	—	—	(50,146)
At 31 March 2016	—	2,120	1,064	—	3,184
Additions	—	185	141	625	951
At 31 March 2017	—	2,305	1,205	625	4,135
DEPRECIATION					
At 1 April 2015	7,861	4,162	3,332	—	15,355
Provided for the year	1,085	424	204	—	1,713
Eliminated on written-off	—	(3,268)	(3,031)	—	(6,299)
Eliminated on deemed distributions	(8,946)	—	—	—	(8,946)
At 31 March 2016	—	1,318	505	—	1,823
Provided for the year	—	476	200	109	785
At 31 March 2017	—	1,794	705	109	2,608
CARRYING VALUES					
At 31 March 2017	—	511	500	516	1,527
At 31 March 2016	—	802	559	—	1,361

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Leasehold land and building	Over the period of the relevant lease
Leasehold improvement	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum
Motor vehicle	30% per annum

As at 31 March 2017, the entire balance of the motor vehicle as shown above was held under a finance lease set out in note 21.

As set out in the consolidated statement of changes in equity and note 2, the above properties were retained by Speed Apparel and Firenze Apparel after the Business transfer, and had been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016.

14. DEFERRED TAXATION

The following is deferred tax asset (liability) recognised and movements thereon during current and prior years:

	Accelerated accounting depreciation (tax depreciation) HK$'000
At 31 April 2015	191
Charge to profit or loss	(246)
At 31 March 2016	(55)
Credit to profit or loss	66
At 31 March 2017	11

As at 31 March 2016, the Group had unused tax loss of HK$74,000 available to offset against future profits. No deferred tax asset had been recognised in respect of the unused tax loss due to the unpredictability of future profit streams. The Group had no unused tax loses as at 31 March 2017.

15. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**4,465**	9,562
Work-in-progress	**2,672**	4,681
	7,137	14,243

16. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017 HK$'000	2016 HK$'000
Trade receivables	**4,617**	24,478
Bills receivables	**3,391**	1,478
	8,008	25,956
Prepayments to subcontractors/suppliers	**1,667**	8,387
Deferred listing expenses	**4,308**	882
Utility deposits	**41**	181
Other receivables	**205**	435
Other prepayments	**840**	91
	7,061	9,976

16. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

No allowance for bad and doubtful debt was provided for the year ended 31 March 2017 and 2016 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, which approximate the revenue recognition dates:

	2017 **HK$'000**	2016 HK$'000
1–30 days	**6,476**	22,379
31–60 days	**208**	2,101
61–90 days	**1,129**	1,334
Over 90 days	**195**	142
	8,008	25,956

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

As at 31 March 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$613,000 (2016: HK$1,892,000) which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Trade and bills receivables and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017 **HK$'000**	2016 HK$'000
HK$	**59**	678
Renminbi ("**RMB**")	**198**	3,899
	257	4,577

17. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

			Maximum amount outstanding during the year	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Speed Apparel	**–**	3,439	**3,439**	16,630
Firenze Apparel	**–**	1,790	**1,790**	17,035
	–	5,229		

All of the amounts as at 31 March 2016 represented collection of trade debt balances from customers of the Group received by Speed Apparel and Firenze Apparel on the Group's behalf for sales made prior to the Business Transfer. The sales invoices of the relevant sales were issued in the names of Speed Apparel or Firenze Apparel prior to the Business Transfer and the relevant debtors therefore settled the trade debts to the designated bank accounts of Speed Apparel or Firenze Apparel, which were not transferred to the Group upon the Business Transfer. Such sums collected by Speed Apparel or Firenze Apparel on the Group's behalf were transferred back to the Group within few business days upon receipts. The relevant cash flows of these collection of trade debts from the Group's customers were presented as operating cash flows in the consolidated statement of cash flows as the management considered the cash flows are, in substance, the receipts from trade customers. These amounts were denominated in HK$, interest-free, unsecured and repayable on demand as at 31 March 2016. The entire balance as at 31 March 2016 has been settled during the year ended 31 March 2017.

(b) Amount due to a related party

	2017	2016
	HK$'000	HK$'000
Mr. Chan	**–**	9,295

The amount due to Mr. Chan as at 31 March 2016 is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in HK$. The entire balance as at 31 March 2016 has been settled during the year ended 31 March 2017.

18. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposit of the Group has been pledged to secure certain banking facilities granted to the Group.

The pledged bank deposit carried fixed interest rate at 0.1% (2016: at 0.3%) per annum at 31 March 2017.

Bank balances carried interest at prevailing market rate in the range of 0.01% to 0.35% (2016: 0.01% to 0.35%) per annum as at 31 March 2017.

The Group's pledged bank deposits and bank balances that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017 **HK$'000**	2016 HK$'000
HK$	**23,107**	21,317
RMB	**306**	1,261
	23,413	22,578

19. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**6,902**	28,419
Accrued subcontracting charges	**661**	11,790
Accrued staff costs	**590**	503
Accrued expenses	**8,862**	778
Deposits received	**—**	916
Other payables	**1,261**	2,590
	18,276	44,996

19. TRADE AND OTHER PAYABLES (Continued)

The credit period on purchase of goods is ranging from 30 to 45 days. The aging analysis of the trade payables of the Group presented based on the invoice dates at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
1–30 days	**5,122**	25,748
31–60 days	**1,113**	1,431
61–90 days	**626**	504
Over 90 days	**41**	736
	6,902	28,419

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017 **HK$'000**	2016 HK$'000
HK$	**5,186**	9,239
RMB	**702**	—
	5,888	9,239

20. BANK BORROWINGS

The entire balances of the Group's bank borrowings are secured, guaranteed and carried variable rate of interest.

	2017 HK$'000	2016 HK$'000
Carrying amounts of bank borrowings repayable on demand and within one year	**20,333**	8,900

The floating-rate bank borrowings carry interests at premiums over Hong Kong Interbank Offered Rate ("**HIBOR**") quoted by a bank in Hong Kong. The effective interest rate on bank borrowings is ranging from 2.46% to 2.75% (2016: at 2.27%) per annum.

Bank borrowings denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2017 HK$'000	2016 HK$'000
HK$	**20,333**	8,900

As at 31 March 2017 and 2016, the Group's bank borrowings are secured by (i) certain properties and car park spaces held by entities controlled by Mr. Chan and (ii) a property held by Mr. Chan and his wife. As at 31 March 2017 and 2016, the Group's bank borrowings are guaranteed by corporate guarantees provided by Speed Apparel and Firenze Apparel, and personal guarantee provided by Mr. Chan, as set out in note 25(c).

21. OBLIGATION UNDER A FINANCE LEASE

The Group leased its motor vehicle under a finance lease. The lease term is five years. Interest rate underlying obligation under a finance lease is fixed at a contract rate of 1.99% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under a finance lease:				
Within one year	**137**	—	**116**	—
Within a period of more than one year but not more than two years	**137**	—	**122**	—
Within a period of more than two years but less than five years	**275**	—	**262**	—
	549	—	**500**	—
Less: Future finance charge	**(49)**	—	**N/A**	N/A
Present value of lease obligation	**500**	—	**500**	—
Less: Amount due for settlement within twelve months shown under current liabilities			**(116)**	—
Amount due for settlement after twelve months shown under non-current liabilities			**384**	—

The Group's obligation under a finance lease is secured by the title to the leased asset.

22. SHARE CAPITAL

The Company was incorporated on 19 November 2015. As set out in note 2, the acquisition of Knit World by Speed Apparel BVI had not yet been completed on 31 March 2016 and the balance of share capital as at 31 March 2016 represented the aggregate of the share capital of the Company and Knit World attributable to Mr. Chan.

As further set out in note 2, the acquisition of Knit World by Speed Apparel BVI had been completed on 18 May 2016 and settled by issue of one share of the Company to Speed Development as part of the consideration. On 24 May 2016, the Company further issued and allotted 8,998 shares at par value of HK$0.01 each to Speed Development at the aggregate cash consideration of approximately HK$90. The balance of share capital as at 31 March 2017 represented solely the share capital of the Company.

22. SHARE CAPITAL (Continued)

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 19 November 2015 (date of incorporation), 31 March 2016 and 2017	39,000,000	390
Issued:		
At date of incorporation and 31 March 2016	1	—
Issue of shares	8,999	—
At 31 March 2017	9,000	—

The new shares rank pari passu with the then existing shares in all respects.

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation date to 31 March 2017.

23. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,200	1,200
In the second to fifth year inclusive	1,000	2,200
	2,200	3,400

Operating lease payments represent rental expense payable by the Group to a related entity controlled by Mr. Chan, as set out in note 25(b), for its office premises. Leases are negotiated for the next three years and rentals are fixed over the relevant lease.

24. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contributions made by the Group amounted to HK$907,000 (2016: HK$815,000) for the year ended 31 March 2017.

25. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 17.

(b) Related party transactions

Saved as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	**2017 HK$'000**	2016 HK$'000
Dream Knit Company Limited	Commission expense (Note i)	**–**	153
Firenze Apparel	Rental expense (Note ii)	**1,200**	200

Notes:

(i) Dream Knit Company Limited was dissolved on 18 January 2016 and was 100% controlled by Mr. Chan up to the date of its deregistration.

(ii) Following the completion of the Business Transfer, a property retained by Firenze Apparel is continued to be used by the Group as the godown and ancillary office for a monthly rent of HK$100,000.

(c) Security and guarantees provided by related parties

The Group's bank borrowings are secured by security and guarantees provided by related parties and details are set out in note 20.

As at 31 March 2017, the Group's obligation under a finance lease is guaranteed by the wife of Mr. Chan.

(d) Compensation of the key management personnel

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**4,478**	4,135
Discretionary bonus	**370**	814
Retirement benefit scheme and contributions	**90**	97
Total	**4,938**	5,046

The remuneration of the key management personnel are determined having regard to the performance of the individuals.

26. PLEDGE OF ASSETS

At the end of the reporting period, the following asset was pledged to a bank to secure certain banking facilities granted to the Group:

	2017 HK$'000	2016 HK$'000
Pledged bank deposit	**6,011**	6,000

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 20, amounts due to a related party as set out in note 17(b) and obligation under a finance lease as set out in note 21, net of cash and cash equivalents, and equity attributable to owner of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial asset		
Loans and receivables (including cash and cash equivalents)	**52,768**	58,645
Financial liability		
Amortised cost	**28,496**	49,204

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables and deposits, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease.

Details of these financial instruments are disclosed in the respective notes. 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain trade and bills receivables, other receivables, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and obligation under a finance lease of the Group 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 the reporting period are as follows:

	2017 **HK$'000**	2016 HK$'000
Assets		
HK$	**23,166**	27,224
RMB	**504**	5,160
Liabilities		
HK$	**25,519**	27,434
RMB	**702**	—

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

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of RMB during the year.

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

	2017 **HK$'000**	2016 HK$'000
Impact on post-tax profit for the year	**(8)**	215

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposit and obligation under a finance lease as set out in notes 18 and 21 respectively. The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR quoted by a bank in Hong Kong.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

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

If interest rates on floating-rate interest-bearing financial liabilities had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2017 would decrease/increase by HK$170,000 (2016: HK$74,000).

For the floating-rate interest-bearing financial assets, based on the sensitivity analysis, the directors of the Company consider that the impact on post-tax profit from changes in interest rates is insignificant for both years.

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 obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

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

The credit risk of the Group on pledged bank deposit and bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2017, the Group had concentration of credit risk as 68% (2016: 91%) of the total trade receivables and bills receivables was due from the Group's five largest customer. The Group normally grants a credit term of no longer than 90 days to these customers. All of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan arising from the Group's trading of garment business. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

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 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 borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1–3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	8,163	—	—	—	8,163	8,163
Bank borrowings — variable rate	2.63	20,333	—	—	—	20,333	20,333
Obligation under a finance lease	1.99	11	23	103	412	549	500
		28,507	23	103	412	29,045	28,996

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

As at 31 March 2016

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1–3 months HK$'000	Over 3 months but less than 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2016 HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	2,590	28,419	—	—	31,009	31,009
Amount due to a related party	N/A	9,295	—	—	—	9,295	9,295
Bank borrowings — variable rate	2.27	8,900	—	—	—	8,900	8,900
		20,785	28,419	—	—	49,204	49,204

Bank borrowings with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 31 March 2017, the aggregate carrying amounts of these bank borrowings were HK$20,333,000 (2016: HK$8,900,000).

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate undiscounted principal and interest cash outflows will amount to HK$20,437,000 (2016: HK$8,967,000) as at 31 March 2017, as set out below:

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
Non-derivative financial liabilities						
Bank borrowings — variable rate	**2.63**	**42**	**12,384**	**8,011**	**20,437**	**20,333**

As at 31 March 2016

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

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.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

29. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2017

As set out in note 13, the Group has entered into a finance lease arrangement to acquire a motor vehicle amounting to HK$625,000.

For the year ended 31 March 2016

As set out in note 2, the Business Transfer has been completed during the year ended 31 March 2016. Building properties amounting to HK$41,200,000 and the associated bank borrowings amounting to HK$11,172,000, were retained by Speed Apparel and Firenze Apparel, and accounted for as deemed distribution to Mr. Chan by the Group.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company as at 31 March 2017 and 31 March 2016 is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**1**	1
CURRENT ASSET		
Other receivables, prepayments and deposits	**4,230**	886
Bank balances and cash	**1,380**	480
	5,610	1,366
CURRENT LIABILITIES		
Other payables and accruals	**8,093**	440
Amounts due to subsidiaries	**12,500**	4,175
	20,593	4,615
NET CURRENT LIABILITIES	**(14,983)**	(3,249)
NET LIABILITIES	**(14,982)**	(3,248)
Capital and reserves		
Share capital	**—**	—
Reserves (note 30(b))	**(14,982)**	(3,248)
TOTAL DEFICIT	**(14,982)**	(3,248)

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movements of the reserves

	Accumulated loss HK$'000
As at 19 November 2015 (date of incorporation)	—
Loss for the period	(3,248)
As at 31 March 2016	(3,248)
Loss for the year	(11,734)
As at 31 March 2017	(14,982)

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	**Place and date of incorporation/ establishment**	**Place of operation**	**Issued and fully paid share capital/ paid-in capital**	**Equity interest attributable to the Group as at**		**Principal activity**
				2017 %	2016 %	
Knit World	Hong Kong 20 February 2002	Hong Kong	Ordinary shares HK$4,000,000	**100**	100	Apparel supply chain management services
Speed Apparel BVI*	British Virgin Islands 13 November 2015	Hong Kong	Ordinary shares US$101	**100**	100	Investment holding
Speed Apparel HK 尚捷(香港)有限公司	Hong Kong 26 November 2015	Hong Kong	Ordinary shares HK$10,000	**100**	100	Apparel supply chain management services
尚捷時(深圳)貿易有限公司 Speed Apparel Shenzhen**	The PRC 23 February 2016	The PRC	Registered capital RMB800,000	**100**	100	Apparel supply chain management services

* Directly held by the Company

** English name for identification purpose only

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2017, the following significant events took place:

(i) On 23 January 2017 and 8 May 2017, written resolutions of the then sole shareholder of the Company were passed to approve the followings, all of which were completed on 31 May 2017:

(a) the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares by the creation of an additional 961,000,000 shares of HK$0.01 each;

(b) subject to the share premium account of the Company being credited as a result of the share offer resulting from the proposed listing of the shares of the Company on the GEM of the Stock Exchange, the directors of the Company were authorised to allot and issue a total of 374,991,000 shares, credited as fully paid at par, to the then sole shareholder by way of capitalisation of a sum of HK$3,749,910 standing to the credit of the share premium account of the Company; and

(c) the share option scheme of the Company was conditionally adopted on 8 May 2017 and the principal terms of which are set out in the Company's annual report under the section headed "Report of the Directors".

(ii) On 31 May 2017, 125,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.5 per share by way of share offer. On the same date, the Company's shares were listed on the GEM of the Stock Exchange.

Financial Summary

A summary of the results, assets, liabilities and equity of the Group for the last three financial years is as follows:

RESULTS

	Year ended 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**430,130**	435,206	397,968
Profit before taxation	**9,078**	15,833	12,620
Income tax expense	**(2,984)**	(3,367)	(2,088)
Profit for the year	**6,094**	12,466	10,532

ASSETS, LIABILITIES AND EQUITY

	As at 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Current assets	**66,720**	82,248	82,540
Non-current assets	**1,538**	1,361	44,370
Total assets	**68,258**	83,609	126,910
Current liabilities	**42,472**	64,182	89,188
Non-current liabilities	**384**	55	—
Total liabilities	**42,856**	64,237	89,188
Net assets	**25,402**	19,372	37,722
EQUITY			
Equity attributable to owners of the Company	**25,402**	19,372	37,722

Notes: The summary of the consolidated results of the Group for each of the two years ended 31 March 2015 and 2016, and of the assets, liabilities and equity as at 31 March 2015 and 2016 have been extracted from the Prospectus.

The financial information for the years ended 31 March 2013 and 2014 were not disclosed as consolidated financial statements for the Group have not been prepared for those years. The summary above does not form part of the audited financial statements.