



# 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



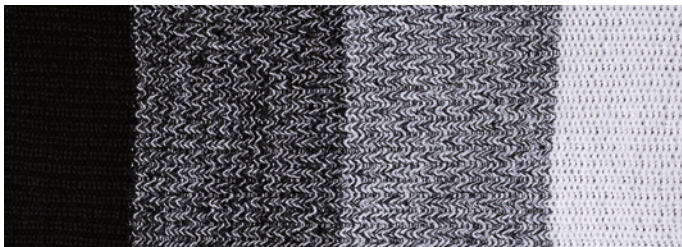
Fashion trend  
analysis

Sourcing  
and  
procurement of materials

Product design  
and  
development

Production management  
and  
quality control

Logistic  
services



## INTERIM REPORT

# 2019/2020



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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.**

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*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.*

## FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2019, unaudited operating results of the Group is as follows:

- Revenue of approximately HK\$302.7 million was recorded for the six months ended 30 September 2019;
- Profit after taxation for the six months ended 30 September 2019 amounted to approximately HK\$18.7 million;
- Basic earnings per share for the six months ended 30 September 2019 based on weighted average number of 500,000,000 ordinary shares was approximately 3.7 HK cents; and
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019.

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2019 together with comparative unaudited figures for the corresponding period in 2018 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4 & 6	251,199	180,835	302,664	198,168
Cost of sales		(205,566)	(146,816)	(249,084)	(161,346)
Gross profit		45,633	34,019	53,580	36,822
Interest income		(23)	127	79	284
Other income (loss)	5	519	69	774	(345)
Selling and distribution expenses		(12,482)	(7,577)	(17,660)	(11,653)
Administrative expenses		(5,799)	(5,844)	(11,332)	(11,302)
Professional fee in relation to the Proposed Transfer of Listing		(1,242)	–	(2,365)	–
Finance costs		(80)	(46)	(83)	(60)
Profit before taxation		26,526	20,748	22,993	13,746
Income tax expense	7	(4,249)	(2,512)	(4,258)	(2,517)
Profit for the period	9	22,277	18,236	18,735	11,229
<b>Other comprehensive expense</b>					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(57)	(55)	(132)	(140)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		22,220	18,181	18,603	11,089
		HK cents	HK cents	HK cents	HK cents
Basic earnings per share for the period attributable to owners of the Company	10	4.5	3.6	3.7	2.2

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	6 & 11	3,122	3,537
Right-of-use asset		2,621	–
		<b>5,743</b>	3,537
<b>Current assets</b>			
Inventories		25,874	4,443
Trade and bills receivables	12	147,229	23,268
Prepayments, deposits and other receivables		9,314	20,339
Pledged bank deposits	13	8,000	14,925
Bank and cash balances		71,079	77,688
		<b>261,496</b>	140,663
<b>Current liabilities</b>			
Trade and other payables	14	135,422	29,014
Tax payable		6,251	2,835
Lease liabilities		1,231	128
		<b>142,904</b>	31,977
<b>Net current assets</b>			
		<b>118,592</b>	108,686
<b>Total assets less current liabilities</b>			
		<b>124,335</b>	112,223
<b>Non-current liabilities</b>			
Lease liabilities		1,620	134
Deferred tax liability		199	176
		<b>1,819</b>	310
<b>NET ASSETS</b>			
		<b>122,516</b>	111,913
<b>Capital and reserves</b>			
Share capital	15	5,000	5,000
Reserves		117,516	106,913
<b>TOTAL EQUITY</b>			
		<b>122,516</b>	111,913

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2019*

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2018 (audited)	5,000	47,656	(19,229)	4,000	86	54,778	92,291
Profit for the period	-	-	-	-	-	11,229	11,229
Exchange differences arising on the translation of foreign operations	-	-	-	-	(140)	-	(140)
Total comprehensive income for the period	-	-	-	-	(140)	11,229	11,089
Dividends paid	-	-	-	-	-	(7,500)	(7,500)
At 30 September 2018 (unaudited)	5,000	47,656	(19,229)	4,000	(54)	58,507	95,880
At 1 April 2019 (audited)	<b>5,000</b>	<b>47,656</b>	<b>(19,229)</b>	<b>4,000</b>	<b>(26)</b>	<b>74,512</b>	<b>111,913</b>
Profit for the period	-	-	-	-	-	<b>18,735</b>	<b>18,735</b>
Exchange differences arising on the translation of foreign operations	-	-	-	-	<b>(132)</b>	-	<b>(132)</b>
Total comprehensive income for the period	-	-	-	-	<b>(132)</b>	<b>18,735</b>	<b>18,603</b>
Dividends paid	-	-	-	-	-	<b>(8,000)</b>	<b>(8,000)</b>
At 30 September 2019 (unaudited)	<b>5,000</b>	<b>47,656</b>	<b>(19,229)</b>	<b>4,000</b>	<b>(158)</b>	<b>85,247</b>	<b>122,516</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 September 2019

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash used in operations	<b>(3,838)</b>	(23,030)
Income tax paid	<b>(818)</b>	(851)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,656)</b>	(23,881)
<b>INVESTING ACTIVITIES</b>		
Withdrawal of pledged bank deposits	<b>6,925</b>	1,414
Purchase of property, plant and equipment	<b>(136)</b>	(892)
Interest received	<b>68</b>	284
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>6,857</b>	806
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	<b>12,821</b>	13,336
Repayment of borrowings	<b>(12,821)</b>	(6,954)
Dividends paid	<b>(8,000)</b>	(7,500)
Interest paid	<b>(83)</b>	(60)
Repayment of lease liabilities	<b>(593)</b>	(60)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,676)</b>	(1,238)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,475)</b>	(24,313)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>77,688</b>	83,350
Effect of foreign exchange rate changes	<b>(134)</b>	(140)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>71,079</b>	58,897
<b>REPRESENTED BY:</b>		
Bank and cash balances	<b>71,079</b>	58,897

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is situated at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in provision of apparel supply chain management services selling knitwear apparel products to its customers. The immediate and ultimate holding company of the Company is Speed Development Co. Ltd ("**Speed Development**"), a company with limited liability incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling party of the Group is Mr. Chan Wing Kai ("**Mr. Chan**").

The condensed consolidated financial statements for the six months ended 30 September 2019 are presented in Hong Kong dollars ("**HK\$**"), which is different from the functional currency of the Company, United States dollars ("**US\$**"). The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders of the Company and investors.

The shares of the Company have been listed on GEM of the Stock Exchange since 31 May 2017 (the "**Listing**" and the "**Listing Date**") by way of share offer (the "**Share Offer**") (stock code: 8183).

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by The Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the Interim Financial Statements include applicable disclosures required by the GEM Listing Rules. The Interim Financial Statements does not include all of the information and disclosures required in annual financial statements prepared in accordance with HKFRSs, which comprises all applicable individual HKFRSs and interpretations issued by HKICPA, and the Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2019.

The Interim Financial Statements have been prepared under the historical cost convention. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

The preparation of the Interim Financial Statements requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management of the Company in applying the relevant accounting policies and the key sources of estimation uncertainty of the Group were the same as those that applied to its annual financial statements for the year ended 31 March 2019.



### 3. ADOPTION OF NEW AND REVISED HKFRSs

Save as described below, the accounting policies applied in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 March 2019, as disclosed in the Company's annual report for the year ended 31 March 2019.

#### HKFRS 16 Leases

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a "lease liability" and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group's accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

The Group has elected to apply the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the right-of-use asset at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately prior to the date of initial application. The Group applied this accounting model to its lease of Hong Kong office. The adoption of HKFRS 16 results in recognition of depreciation on the right-of-use asset and finance costs on lease liabilities for the reporting period commencing on 1 April 2019, instead of the rental expenses under the previous HKAS 17. The adoption of HKFRS 16 does not have a material impact on the Group's financial performance and its financial position. As disclosed in the annual financial statements of the Group for the year ended 31 March 2019, the Group had non-cancellable operating lease commitments of approximately HK\$3.9 million. Upon the initial application of HKFRS 16 on 1 April 2019, the Group recognised a right-of-use asset and a lease liability in respect of the lease of Hong Kong office of approximately HK\$3.2 million and HK\$3.2 million, respectively. The Group applied the recognition exemption for lease of low-value assets and short-term lease which continuously recognised as rental expenses over the lease term.

Except for HKFRS 16, the Directors do not anticipate that the application of other new and revised HKFRSs, which are effective for the Group's financial year beginning on 1 April 2019, have a material impact on the Interim Financial Statements. The Group has not adopted or early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 4. REVENUE

### Disaggregation of revenue from contracts with customers:

#### Geographical information

The followings are analysis of the Group's revenue by geographical markets of customers and product categories, respectively:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Geographical markets				
Japan	123,905	105,898	141,966	120,688
The United States of America	78,780	45,032	97,509	45,032
Europe	36,600	15,347	47,037	15,347
Hong Kong	10,178	10,875	14,017	12,823
Others (Note)	1,736	3,683	2,135	4,278
Total revenue	251,199	180,835	302,664	198,168

Note: Others comprise The People's Republic of China (the "PRC") excluding Hong Kong, Korea, Mexico and Dubai.

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Major products				
Womenswear	175,081	97,079	201,143	114,172
Menswear	71,594	42,168	73,626	42,408
Kidswear	4,524	41,588	27,895	41,588
Total revenue	251,199	180,835	302,664	198,168

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 4. REVENUE (CONTINUED)

### Disaggregation of revenue from contracts with customers:

#### Timing of revenue recognition

For the six months ended 30 September 2019 and 2018, all revenues were recognised at a point in time, respectively.

#### Sales of garments

The Group sells garments to its customers. Sales are recognised when control of the products has transferred, i.e., when the products are delivered to a customer, there was no unfulfilled obligation that could affect customer's acceptance of the products and customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability. A receivable is recognised when the products are delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 5. OTHER INCOME (LOSS)

The following table sets out the Group's other income (loss):

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sample sales income	340	495	508	763
Gain (loss) on exchange difference, net	179	(426)	266	(1,108)
Total other income (loss)	519	69	774	(345)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 6. SEGMENT INFORMATION

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.

### Geographical information

All revenue for the six months ended 30 September 2019 and 2018, were revenue derived from contracts with customers, the geographical information of revenue are set out in note 4 to the Interim Financial Statements in this report.

	<b>As at 30 September 2019 HK\$'000 (unaudited)</b>	As at 31 March 2019 HK\$'000 (audited)
Non-current assets – geographical market		
Hong Kong	<b>5,743</b>	3,537

### Revenue from major customers

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

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)
Customer A	<b>122,042</b>	66,165	<b>153,486</b>	66,165
Customer B	<b>62,943</b>	59,651	<b>75,808</b>	66,543
Customer C	<b>N/A*</b>	18,058	<b>N/A*</b>	19,935

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 7. INCOME TAX EXPENSE

The Group's income tax expense analysis is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax				
Current period	4,282	2,446	4,291	2,446
PRC Enterprise Income Tax ("EIT")				
Current period	–	66	–	71
Overprovision in prior year	(56)	–	(56)	–
	(56)	66	(56)	71
Deferred tax expense	23	–	23	–
Total income tax expense	4,249	2,512	4,258	2,517

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 EIT law, implementation rules and notices in the PRC.

A subsidiary of the Company in Japan is subject to national corporate tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the six months ended 30 September 2019.

No provision for Japan corporate income tax has been made as the subsidiary in Japan did not generate any assessable profits during the six months ended 30 September 2019.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 8. DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

Dividends approved and paid during the six months ended 30 September 2019 is as follows:

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Final dividend in respect of the year ended 31 March 2019, approved and paid to the shareholders of the Company during the six months ended 30 September 2019 of 1.6 HK cents per share (for the six months ended 30 September 2018: 1.5 HK cents per share)	<b>8,000</b>	7,500
Total dividends paid	<b>8,000</b>	7,500

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 9. PROFIT FOR THE PERIOD

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):				
Staff costs (including Directors' remuneration):				
Fees	90	90	180	180
Salaries and other benefits	5,378	5,784	10,747	11,589
Retirement benefit scheme contributions	203	228	401	449
Total employee benefits expenses	5,671	6,102	11,328	12,218
Interest expenses on				
Bank borrowings	8	42	8	52
Finance lease	72	4	75	8
	80	46	83	60
Auditor's remuneration	125	115	250	228
Depreciation of property, plant and equipment	829	251	1,112	486
Net foreign exchange (gains) losses	(179)	426	(266)	1,108
Cost of inventories recognized as cost of sales	205,566	146,816	249,084	161,346
Operating lease charges	138	443	275	891
Commission expenses (included in selling and distribution expenses)	3,214	2,450	4,035	2,568
Sample charges (included in selling and distribution expenses)	4,828	1,170	6,185	1,811

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
<b>Earnings:</b>				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	22,277	18,236	18,735	11,229
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	500,000	500,000	500,000	500,000
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share for the period attributable to owners of the Company	4.5	3.6	3.7	2.2

No diluted earnings per share is presented for the six months ended 30 September 2019 and 2018 as there were no potential dilutive ordinary shares outstanding during the respective periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$0.1 million (for the six months ended 30 September 2018: approximately HK\$0.9 million).

## 12. TRADE AND BILLS RECEIVABLES

No allowance for bad and doubtful debt was provided for the six months ended 30 September 2019 and 2018 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 an average credit period from 30 to 90 days. For other customers, the Group demands for full settlement upon delivery of goods.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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:

	<b>As at 30 September 2019 HK\$'000 (unaudited)</b>	As at 31 March 2019 HK\$'000 (audited)
1 – 30 days	104,335	20,122
31 – 60 days	35,660	28
61 – 90 days	7,225	3,076
Over 90 days	9	42
	<b>147,229</b>	23,268

## 13. PLEDGED BANK DEPOSITS

Pledged bank deposits of approximately HK\$8.0 million (as at 31 March 2019: approximately HK\$14.9 million) has been pledged to a bank to secure certain banking facilities granted to the Group.

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2019 HK\$'000 (unaudited)</b>	As at 31 March 2019 HK\$'000 (audited)
Trade payables	122,510	25,554
Accruals and other payables	12,912	3,460
	<b>135,422</b>	29,014

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 14. TRADE AND OTHER PAYABLES (CONTINUED)

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

	<b>As at 30 September 2019 HK\$'000 (unaudited)</b>	As at 31 March 2019 HK\$'000 (audited)
1 – 30 days	<b>91,828</b>	18,193
31 – 60 days	<b>29,474</b>	4,430
61 – 90 days	<b>365</b>	2,062
Over 90 days	<b>843</b>	869
	<b>122,510</b>	25,554

## 15. SHARE CAPITAL

Details of share capital of the Company during the reporting period are as follows:

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
<b>At 1 April 2019 (audited) and at 30 September 2019 (unaudited)</b>	1,000,000	10,000
Issued:		
<b>At 1 April 2019 (audited) and at 30 September 2019 (unaudited)</b>	500,000	5,000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 16. RELATED PARTY DISCLOSURES

### (a) Related party transactions

Name of related party	Nature of transaction	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Firenze Apparel Limited ("Firenze Apparel")	Rental expenses <sup>(Note 1)</sup>	–	600
	Lease liability and finance lease interest <sup>(Note 2)</sup>	600	–
		<b>600</b>	600

Notes:

1. Firenze Apparel is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. The Group and Firenze Apparel entered into a tenancy agreement leasing a property to the Group as its head office and the principal place of business in Hong Kong for a monthly rent of HK\$100,000.
2. The Group applied HKFRS 16 for the first time during the current reporting period to a lease of Hong Kong office on 1 April 2019. As a result, no rental expense was recognised with a related party for the six months ended 30 September 2019. Details of the application of HKFRS 16 is set out in note 3 to the Interim Financial Statements in this report.

### (b) Securities and guarantees provided by a related party

As at 30 September 2019 and 31 March 2019, one of the Group's motor vehicle under a finance lease is guaranteed by Ms. Cheung Hung ("Ms. Cheung"), the wife of Mr. Chan.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 16. RELATED PARTY DISCLOSURES (CONTINUED)

### (c) Compensation of the key management personnel

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Fees	180	180
Salaries and other benefits	2,639	2,597
Retirement benefit scheme and contributions	45	45
Total	2,864	2,822

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

## INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products. 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 and the United States of America (the "USA"), which their 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, Thailand and/or Cambodia.

The shares of the Company were successfully listed on GEM of the Stock Exchange on the Listing Date. The Group raised the net proceeds (the "Net Proceeds") from the Share Offer of approximately HK\$35.9 million after deducting all the relevant commission and expenses in relation to the Listing. 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" of the prospectus (the "Prospectus") of the Company dated 16 May 2017.

## BUSINESS REVIEW

The Group recorded revenue of approximately HK\$302.7 million for the six months ended 30 September 2019, representing a significant increase of approximately 52.7% as compared to approximately HK\$198.2 million for the six months ended 30 September 2018. The Group's gross profit for the six months ended 30 September 2019 amounted to approximately HK\$53.6 million (for the six months ended 30 September 2018: approximately HK\$36.8 million). The significant increase in revenue and gross profit of the Group was primarily attributable to (i) the substantial increase in purchase orders from a major customer headquartered in the USA which commenced the business relationship with the Group since May 2018; and (ii) the increase in purchase orders from its customers in Japan, which in aggregate resulted a significant increase in gross profit of the Group for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018. The overall gross profit margin of the Group decreased slightly to approximately 17.7% for the six months ended 30 September 2019 from approximately 18.6% for the six months ended 30 September 2018. Despite the continuing challenges and uncertainties in the global economy and trading environment, the Group's total comprehensive income attributable to owners of the Company was increased from approximately HK\$11.1 million for the six months ended 30 September 2018 to approximately HK\$18.6 million for the six months ended 30 September 2019. Such increase was mainly attributable to the reasons as aforementioned.

On 16 July 2019 (after trading hours), the Company has submitted a formal application to the Stock Exchange in respect of the proposed transfer of listing (the "Proposed Transfer of Listing") of (i) all the shares of the Company in issue; and (ii) the new shares which may fall to be issued upon the exercise of share options that may be granted under the share option scheme of the Company, from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Rules Governing the Listing of Securities on the Stock Exchange and the relevant provisions of the GEM Listing Rules. The Proposed Transfer of Listing will not involve any issue of new shares. The Board believes that the Proposed Transfer of Listing, if materialised, will enhance the profile and promote market recognition of the

Group amongst public investors, its existing and potential customers, reinforce confidence of existing and potential customers and suppliers in financial strength, corporate governance and credibility of the Group and promote the corporate image of the Company.

## FINANCIAL REVIEW

### Revenue

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the six months ended 30 September 2019, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 66.5% 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 reporting period:

	Six months ended 30 September				Percentage of change %
	2019		2018		
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%	
Womenswear	201,143	66.5	114,172	57.6	76.2
Menswear	73,626	24.3	42,408	21.4	73.6
Kidswear	27,895	9.2	41,588	21.0	(32.9)
Total revenue	302,664	100.0	198,168	100.0	52.7

During the six months ended 30 September 2019, the sales volume of the Group amounted to approximately 5.1 million pieces (for the six months ended 30 September 2018: approximately 3.0 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Six months ended 30 September				Percentage of change %
	2019		2018		
	Pieces '000 (unaudited)	%	Pieces '000 (unaudited)	%	
Womenswear	3,286	64.2	1,758	57.7	86.9
Menswear	1,318	25.7	638	20.9	106.6
Kidswear	516	10.1	651	21.4	(20.7)
Total sales quantity	5,120	100.0	3,047	100.0	68.0

The selling price of each of the product categories depends primarily on, amongst other things, (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 price per piece of finished products sold by the Group by product category for each of the reporting period:

	Six months ended 30 September		
	2019 Average selling price <sup>(Note)</sup> HK\$ (unaudited)	2018 Average selling price <sup>(Note)</sup> HK\$ (unaudited)	Percentage of change %
Womenswear	61.2	64.9	(5.7)
Menswear	55.9	66.5	(15.9)
Kidswear	54.1	63.9	(15.3)
Overall average selling price per piece	59.1	65.0	(9.1)

Note: The average selling price per piece represents the revenue for the period divided by the total sales quantity for the period.

The Group's revenue increased significantly by approximately HK\$104.5 million, or 52.7%, from approximately HK\$198.2 million for the six months ended 30 September 2018 to approximately HK\$302.7 million for the six months ended 30 September 2019. The significant increase in revenue was primarily attributable to the substantial increase in purchase orders of the Group from a major customer headquartered in the USA and other customers based in Japan.

#### **Womenswear**

During the six months ended 30 September 2019, revenue derived from the sales of womenswear products increased significantly by approximately HK\$87.0 million or 76.2%, from approximately HK\$114.2 million for the six months ended 30 September 2018 to approximately HK\$201.1 million for the six months ended 30 September 2019. Such significant increase was mainly attributable to the significant increase in sales quantity from approximately 1.8 million pieces for the six months ended 30 September 2018 to approximately 3.3 million pieces for the six months ended 30 September 2019, which outweighs the decrease in average selling price per piece of womenswear products from approximately HK\$64.9 for the six months ended 30 September 2018 to approximately HK\$61.2 for the six months ended 30 September 2019.

### **Menswear**

The Group's revenue derived from the sales of menswear products increased significantly by approximately HK\$31.2 million or 73.6%, from approximately HK\$42.4 million for the six months ended 30 September 2018 to approximately HK\$73.6 million for the six months ended 30 September 2019. Such significant increase was mainly attributable to the significant increase in sales quantity from approximately 0.6 million pieces for the six months ended 30 September 2018 to approximately 1.3 million pieces for the six months ended 30 September 2019, which outweighs the decrease in average selling price per piece of menswear products from approximately HK\$66.5 for the six months ended 30 September 2018 to approximately HK\$55.9 for the six months ended 30 September 2019.

### **Kidswear**

Revenue derived from the sales of kidswear products of the Group decreased by approximately 32.9% to approximately HK\$27.9 million for the six months ended 30 September 2019 from approximately HK\$41.6 million for the six months ended 30 September 2018. The decrease in the revenue of the Group's kidswear products was primarily attributable to (i) the decrease in sales volume of the Group's kidswear products from approximately 0.7 million pieces for the six months ended 30 September 2018 to approximately 0.5 million pieces for the six months ended 30 September 2019 as a result of a decrease in purchase orders of kidswear products from a major customer headquartered in the USA; and (ii) the decrease in average selling price per piece of the kidswear products from approximately HK\$63.9 for the six months ended 30 September 2018 to approximately HK\$54.1 for the six months ended 30 September 2019.

### **Cost of sales**

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales increased significantly to approximately HK\$249.1 million for the six months ended 30 September 2019 from approximately HK\$161.3 million for the six months ended 30 September 2018, representing a significant increase of approximately 54.4%. The significant increase of the Group's cost of sales was in line with the significant increase in the Group's revenue of approximately 52.7% for the six months ended 30 September 2019.

### **Gross profit and gross profit margin**

The Group's gross profit increased to approximately HK\$53.6 million for the six months ended 30 September 2019 from approximately HK\$36.8 million for the six months ended 30 September 2018, representing an increase of approximately 45.5%. The increase in gross profit of the Group was primarily attributable to (i) the substantial increase in purchase orders from a major customer headquartered in the USA which commenced the business relationship with the Group since May 2018; and (ii) the increase in purchase orders from customers of the Group in Japan, which in aggregate resulted a significant increase in gross profit of the Group for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018. The Group's gross profit margin decreased to approximately 17.7% for the six months ended 30 September 2019 from approximately 18.6% for the six months ended 30 September 2018. Such decrease in the Group's gross profit margin was mainly attributable to the competitive pricing offered by the Group for the spring and summer knitwear products in return received a greater portion of purchase orders from its customers. Despite the continuing challenges and uncertainties in the global business environment, the Group recorded a significant increase in its revenue and an increase in the gross profit for the six months ended 30 September 2019. The Group endeavoured to enhance its competitive capability whilst offering satisfactory supply chain management total solutions to its customers.



**Interest income**

The Group's interest income decreased significantly by approximately HK\$0.2 million or approximately 72.2% from approximately HK\$0.3 million for the six months ended 30 September 2018 to approximately HK\$0.1 million for the six months ended 30 September 2019.

**Other income or loss**

Other income or other loss mainly consists of sample sales income and exchange gain/loss. The Group recorded other income of approximately HK\$0.8 million for the six months ended 30 September 2019 whilst there was other loss of approximately HK\$0.3 million for the six months ended 30 September 2018. Such change was mainly attributable to the Group recorded an exchange loss of approximately HK\$1.1 million for the six months ended 30 September 2018 as compared to an exchange gain of approximately HK\$0.3 million for the six months ended 30 September 2019.

**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\$17.7 million for the six months ended 30 September 2019 from approximately HK\$11.7 million for the six months ended 30 September 2018, representing a significant increase of approximately 51.5%. Such significant increase was mainly attributable to an increase in (i) sample costs; (ii) commission expenses; and (iii) logistic expenses, as these expenses were increased in line with the increase of the Group's revenue.

**Administrative expenses**

Administrative expenses primarily consist of audit fees, 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 remained stable at approximately HK\$11.3 million for the six months ended 30 September 2019 as compared to approximately HK\$11.3 million for the six months ended 30 September 2018.

**Professional fee in relation to the Proposed Transfer of Listing**

There was approximately HK\$2.4 million non-recurring professional fee in relation to the Proposed Transfer of Listing recognised for the six months ended 30 September 2019 whilst there was nil such expense recognised for the six months ended 30 September 2018.

### **Total comprehensive income attributable to owners of the Company**

Total comprehensive income attributable to owners of the Company increased to approximately HK\$18.6 million for the six months ended 30 September 2019 from approximately HK\$11.1 million for the six months ended 30 September 2018, representing a significant increase of 67.6%. If the non-recurring professional fee in relation to the Proposed Transfer of Listing of approximately HK\$2.4 million for the six months ended 30 September 2019 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the six months ended 30 September 2019 would have been approximately HK\$21.0 million, representing a significant increase of approximately 89.1% as compared to the total comprehensive income attributable to owners of the Company for the six months ended 30 September 2018.

### **BASIC EARNINGS PER SHARE**

The Company's basic earnings per share for the six months ended 30 September 2019 was approximately 3.7 HK cents, representing a significant increase of approximately 68.2% as compared to the basic earnings per share of approximately 2.2 HK cents for the six months ended 30 September 2018. The increase in the Company's basic earnings per share for the six months ended 30 September 2019 was in line with the profit attributable to owners of the Company for the six months ended 30 September 2019.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 September 2019, the Group's operations were generally financed through its internally generated cash flows, borrowings from banks and the Net Proceeds. 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 30 September 2019 and 31 March 2019, the Group had net current assets of approximately HK\$118.6 million and HK\$108.7 million, respectively, including bank and cash balances of approximately HK\$71.1 million and HK\$77.7 million, respectively. The Group's current ratio decreased from approximately 4.4 as at 31 March 2019 to approximately 1.8 as at 30 September 2019. Such decrease was mainly as a result of a decrease in prepayments, deposits and other receivables, pledged bank deposits, bank and cash balances and an increase in trade and other payables during the six months ended 30 September 2019.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 30 September 2019 and 31 March 2019, the Group's gearing ratio was nil and nil, respectively, as there were full repayment of bank borrowings and the amount of lease liabilities were relatively insignificant for both reporting periods. 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 and cash balances, banking 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, deposits and other receivables. In order to minimise its 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 appropriate follow-up action(s) 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. The Group generally grants an average credit period of 30 to 90 days to its customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. 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.

In management of the liquidity risk, the Board closely monitors and maintains levels of cash and cash equivalents deemed adequate by our management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since the Listing. The share capital of the Company only comprises of ordinary shares.

As at 30 September 2019, 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 during the reporting period are set out in note 15 to the Interim Financial Statements in this report.

## SIGNIFICANT INVESTMENTS

As at 30 September 2019 and 31 March 2019, the Group did not hold any significant investments.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2019, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

## PLEDGE OF ASSETS

The following assets were pledged to banks to secure certain banking facilities granted to the Group:

	<b>As at 30 September 2019 HK\$'000 (unaudited)</b>	As at 31 March 2019 HK\$'000 (audited)
Pledged bank deposits	<b>8,000</b>	14,925

## COMMITMENTS

The Group's contractual commitments were primarily related to the leases of its office premises in Japan and the PRC, respectively, which are qualified for low-value assets or short-term leases and continued to recognise as rental expenses over the lease term under HKFRS 16. As at 30 September 2019 and 31 March 2019, the Group's operating lease commitments amounted to approximately HK\$0.2 million and HK\$3.9 million, respectively. As at 30 September 2019, the Group did not have any significant capital commitments (as at 31 March 2019: Nil).

## CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2019 (as at 31 March 2019: Nil).

## FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, pledged bank deposits, bank and cash balances, and trade and other payables 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 predominantly in US\$, which is the functional currency of the Company, 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 have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 59 full-time employees (as at 30 September 2018: 67). The Group's staff costs primarily consist of Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2019 and 2018, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$11.3 million and HK\$12.2 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employees. In addition to basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contributed 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.

The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company 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 of the Company under the share option scheme of the Company.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress up to 30 September 2019:

### Business objectives up to 30 September 2019 as stated in the Prospectus

### Actual business progress up to 30 September 2019

Strengthening and diversifying the Group's customer base	<ul style="list-style-type: none"> <li>the Group arranged sales visits and co-organised a number of private exhibitions in Japan during the six months ended 30 September 2019; and</li> <li>the respective merchandising team, design and promotion team visited and arranged presentations to the existing and potential customers. There were three new customers and eleven new brands solicited for the six months ended 30 September 2019.</li> </ul>
Further expanding the Group's product variety to cater for the customers' need	<ul style="list-style-type: none"> <li>developed and created promotion samples of seamless knitwear for presentation to existing and potential customers as planned. The Group received purchase orders of seamless knitwear from the existing customer of the Group and revenue of approximately HK\$0.3 million derived from seamless knitwear for the six months ended 30 September 2019.</li> </ul>
Enhancing the Group's design and development capabilities	<ul style="list-style-type: none"> <li>sponsored designers and relevant staff to attend a number of trade fairs and fashion shows in Hong Kong and the PRC, respectively, during the six months ended 30 September 2019; and</li> <li>certain designers' computer software were upgraded during the six months ended 30 September 2019.</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	<ul style="list-style-type: none"> <li>purchased and maintained inventories levels of raw materials as planned; and</li> <li>the Group implemented a tailor-made inventory management system during the current reporting period and the operational efficiency of the Group is improved by maintaining appropriate inventory level.</li> </ul>

## USE OF PROCEEDS

The Net Proceeds is 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 for the period from the Listing Date to 31 March 2020. Accordingly, the Group adjusted and applied the Net Proceeds in the same manner and in the same proportion as shown in the Prospectus.

The following table sets forth an analysis of the utilisation of Net Proceeds during the six months ended 30 September 2019:

	<b>Adjusted planned use of Net Proceeds as stated in the Prospectus up to 30 September 2019</b>	<b>Actual use of Net Proceeds up to 30 September 2019</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening and diversifying the Group’s customers base	4.0	4.0
Further expanding the Group’s product mix to cater to the customers’ need	8.1	8.1
Enhancing the Group’s design and development capabilities	6.2	6.2
Enhancing the Group’s inventory management to strengthen operational efficiency	12.2	12.2
	30.5	30.5

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of the Net Proceeds were applied in accordance with the actual developments of the Group’s business and the markets it is operating in.

As at 30 September 2019, approximately HK\$30.5 million out of the Net Proceeds had been used. The unutilised Net Proceeds are deposited in licensed banks in Hong Kong.

## FUTURE PROSPECTS

The Group expects the global economy and trading environment to remain challenging due to keen competition within the industry and the trade war (the “**Trade War**”) between the PRC and the USA. A protracted Trade War has weighed on global economic sentiments and trading activities and may cause downside risks to global economic outlook. The amicable resolution of the Trade War and the lasting impacts the Trade War may have on the global economy remain uncertain. Should the Trade War begin to materially impact the USA and the global economy, the purchase orders from the major customer headquartered in the USA may be reduced or terminated entirely. There is no assurance that the Group will be able to secure new business from other customers for replacement.

Nevertheless, in order to mitigate the risks resulting from the Trade War, including possible loss of the major customer headquartered in the USA and possible lowering of the average selling price offered to customers in the USA, the Group considered to take steps of (i) continuing and/or expanding business relationships with third-party manufacturers having manufacturing operations outside the PRC, such as Thailand and Cambodia; and (ii) identifying potential apparel manufacturers outside the PRC which could be accepted by the major customer headquartered in the USA as approved suppliers.

Looking ahead, the Group will continue to develop and create more promotion samples for further expansion of the Group’s product variety to cater to the existing and potential customers’ needs. Further, by setting up a showroom and an office for a design team and an account servicing team in Japan, the Group will be able to display and promote more sample products to customers and to respond to customers’ demands in a more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image of the Group to the existing and potential customers in Japan. The Group will continue to work closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements and the customers can rely on the Group to fulfill their needs for a full spectrum of apparel supply chain management services. The Directors believe that regular communications with the Group’s customers allows the Group to better understand their needs and requirements, which in turn will strengthen the relationships between the Group and its customers. In view of the foregoing, the Directors believe that the Group will be able to continuously attract and solicit new customers as well as new fashion brands, including but not limited to, the Japan and the USA markets which in turn will drive the business growth of the Group in the long run.

The Directors will also continue to explore opportunities to diversify the Group’s operations so that the customer base of the Group could be further strengthened and diversified. The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2019, 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 (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

<b>Name of Director</b>	<b>Nature of interest/ holding capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital of the Company<sup>(Note 1)</sup></b>
Mr. Chan	Interest of a controlled corporation	375,000,000 (L) <sup>(Notes 2 and 3)</sup>	75%

Notes:

1. As at 30 September 2019, the Company’s issued ordinary share capital was HK\$5.0 million divided into 500,000,000 shares of HK\$0.01 each.
2. Speed Development is a company incorporated in the BVI on 12 November 2015 which acts as 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 of the Company.



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

As at 30 September 2019, so far as it is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Group:

<b>Name of substantial shareholders</b>	<b>Nature of interest/ holding capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of interests in the issued share capital of the Company<sup>(Note 1)</sup></b>
Speed Development	Beneficial owner	375,000,000 (L) <sup>(Notes 2 and 3)</sup>	75%
Ms. Cheung	Spouse interest	375,000,000 (L) <sup>(Notes 3 and 4)</sup>	75%

Notes:

- As at 30 September 2019, the Company's issued ordinary share capital was HK\$5.0 million divided into 500,000,000 shares of HK\$0.01 each.
- 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.
- The letter "L" denotes the person's long position in the shares of the Company.
- Ms. Cheung is the spouse of Mr. Chan. She is deemed to be interested in the shares of the Company in which Mr. Chan is interested under Part XV of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors confirmed that the Directors, the controlling shareholder and the substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) do not have any business or interest that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2019.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a 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 will continue to review its corporate governance practices in order to enhance its corporate governance standards, 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.

During the reporting period, the Group has complied with the CG 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 CG 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.

### 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 made specific enquiry of all Directors 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 for the six months ended 30 September 2019.

### 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.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **EVENT AFTER THE REPORTING PERIOD**

There is no significant event subsequent to 30 September 2019 which would materially affect the Group's operations and financial performance.

## **AUDIT COMMITTEE**

The Audit Committee 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 the unaudited interim results for the six months ended 30 September 2019 before recommending it to the Board for approval.

By order of the Board  
**Speed Apparel Holding Limited**  
**Mr. Chan Wing Kai**  
*Chairman and executive Director*

Hong Kong, 11 November 2019

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent non-executive Directors

Ms. Chan Siu Lai  
Mr. Kwok Chi Shing  
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

Zhonghui Anda CPA Limited

## 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 54, 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 Hongkong and Shanghai Banking Corporation Limited  
Shanghai Commercial Bank Limited

## COMPANY'S WEBSITE

[www.speedapparel.com.hk](http://www.speedapparel.com.hk)

## STOCK CODE

8183