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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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*This announcement, 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 the 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 announcement 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 announcement misleading.*

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.speedapparel.com.hk.

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2017, unaudited operating results of the Group were as follows:

- Revenue of approximately HK\$197.2 million was recorded for the six months ended 30 September 2017;
- Profit after taxation for the six months ended 30 September 2017 amounted to approximately HK\$0.8 million; and
- Basic earnings per Share for the six months ended 30 September 2017 based on weighted average number of ordinary Shares of 459,016,393 was approximately 0.17 HK cents.

INTERIM RESULTS

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 three months and six months ended 30 September 2017 together with comparative unaudited figures for the corresponding period in 2016 as follows:

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

For the three months and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	5	158,700	146,265	197,223	204,328
Cost of sales		(136,077)	(124,852)	(169,309)	(174,547)
Gross profit		22,623	21,413	27,914	29,781
Other income	6	383	469	610	712
Other loss		(64)	(652)	(143)	(1,052)
Selling and distribution expenses		(7,382)	(6,702)	(13,032)	(11,777)
Administrative expenses		(6,657)	(5,345)	(11,892)	(10,633)
Listing expenses		—	(844)	(1,951)	(6,494)
Finance costs		(26)	(261)	(142)	(361)
Profit before taxation		8,877	8,078	1,364	176
Income tax expense	7	(560)	(1,050)	(570)	(1,050)
Profit (loss) for the period	9	8,317	7,028	794	(874)
Other comprehensive income (expense)					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		26	(8)	52	(33)
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		8,343	7,020	846	(907)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic earnings (loss) per Share for the period attributable to owners of the Company	10	1.66	1.87	0.17	(0.23)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,118	1,527
Deferred tax asset		<u>—</u>	<u>11</u>
		2,118	1,538
CURRENT ASSETS			
Inventories		18,853	7,137
Trade and bills receivables	11	40,256	8,008
Other receivables, prepayments and deposits		9,458	7,061
Pledged bank deposits		15,000	6,011
Bank balances and cash		<u>67,233</u>	<u>38,503</u>
		150,800	66,720
CURRENT LIABILITIES			
Trade and other payables	12	69,522	18,276
Tax payable		3,989	3,747
Bank borrowings — due within one year		—	20,333
Obligation under a finance lease		<u>118</u>	<u>116</u>
		73,629	42,472
NET CURRENT ASSETS		77,171	24,248
TOTAL ASSETS LESS CURRENT LIABILITIES		79,289	25,786
NON-CURRENT LIABILITIES			
Obligation under a finance lease		324	384
Deferred tax liability		<u>61</u>	<u>—</u>
		385	384
NET ASSETS		78,904	25,402
CAPITAL AND RESERVES			
Share capital	13	5,000	—
Reserves		<u>73,904</u>	<u>25,402</u>
TOTAL EQUITY		78,904	25,402

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 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.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Group, United States dollars (“**US\$**”). The Directors consider that presenting the unaudited condensed consolidated financial statements in HK\$ is more preferable as the Group’s principle place of business is in Hong Kong.

The shares of the Company (the “**Share(s)**”) have been listed on GEM since 31 May 2017 (the “**Listing Date**”).

2. REORGANISATION

Historically, the Group’s principal business, which is 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. Each 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 GEM, 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) Limited (“**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 were also not transferred to the Group and are retained by Speed Apparel or Firenze Apparel after the Reorganisation (the “**Other Assets and Liabilities**”).

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* was established in The People's Republic of China ("PRC") by Speed Apparel HK with a registered capital of RMB800,000, which has been paid up in full in April 2016; and
- 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.

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.

* *For identification purpose only*

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the unaudited condensed consolidated 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 in accordance with Hong Kong Financial Reporting Standards ("**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 for the year ended 31 March 2017.

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 the annual financial statements for the year ended 31 March 2017.

4. APPLICATION OF HKFRSs

Save as the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2017, 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 2017, as disclosed in the Company's annual report for the year ended 31 March 2017. The Directors anticipate that the application of these new and revised HKFRSs will not materially impact on the Interim Financial Information. The Group has not early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts together with the provision of apparel supply chain management services to its customers. The Group's operations are mainly located in Hong Kong.

The following is an analysis of the Group's revenue by the geographical locations of the customers:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Japan	150,911	134,742	185,383	190,509
Hong Kong	3,571	6,694	5,911	7,854
PRC excluding Hong Kong	3,416	4,352	4,629	5,142
Others	802	477	1,300	823
Total revenue	<u>158,700</u>	<u>146,265</u>	<u>197,223</u>	<u>204,328</u>

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

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	90,171	67,346	115,904	103,057
Customer B	<u>29,825</u>	<u>42,286</u>	<u>31,969</u>	<u>52,228</u>

6. OTHER INCOME

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

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sample sales income	383	461	608	703
Bank interest income	—	8	2	9
Total other income	<u>383</u>	<u>469</u>	<u>610</u>	<u>712</u>

7. INCOME TAX EXPENSE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax				
Current period	<u>562</u>	<u>1,071</u>	<u>564</u>	<u>1,071</u>
PRC Enterprise Income Tax ("EIT")				
Current period	32	11	40	11
Overprovision in prior year	<u>(107)</u>	<u>—</u>	<u>(107)</u>	<u>—</u>
	<u>(75)</u>	<u>11</u>	<u>(67)</u>	<u>11</u>
Deferred tax expense (credit)	<u>73</u>	<u>(32)</u>	<u>73</u>	<u>(32)</u>
Total income tax expense	<u>560</u>	<u>1,050</u>	<u>570</u>	<u>1,050</u>

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 enterprise income law, implementation rules and notices in the PRC.

8. DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: Nil).

9. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration:				
Fees	90	—	121	—
Other emoluments, salaries and other benefits	703	729	1,443	1,432
Retirement benefit scheme contributions	9	9	18	18
	802	738	1,582	1,450
Other staff costs:				
Salaries and other benefits	5,034	4,842	10,297	9,387
Retirement benefit scheme contributions	223	200	432	385
	5,257	5,042	10,729	9,772
Total employee benefits expenses	6,059	5,780	12,311	11,222
Interest expenses on				
Bank borrowings	21	261	131	361
Finance lease	5	—	11	—
	26	261	142	361
Auditor's remuneration	160	200	360	400
Depreciation of property, plant and equipment	248	189	462	342
Net foreign exchange losses	64	652	143	1,052
Cost of inventories recognized as cost of sales	136,077	124,852	169,309	174,547
Minimum operating lease rental in respect of rental premises	307	306	615	614
Commission expenses (included in selling and distribution expenses)	853	627	1,045	955
Sample charges (included in selling and distribution expenses)	1,831	1,959	3,617	3,688

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per Share is based on the following:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings (loss):				
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per Share	<u>8,317</u>	<u>7,028</u>	<u>794</u>	<u>(874)</u>
	'000	'000	'000	'000
Number of Shares:				
Weighted average number of ordinary Shares for the purpose of basic earnings (loss) per Share	<u>500,000</u>	<u>375,000</u>	<u>459,016</u>	<u>375,000</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic earnings (loss) per Share for the period attributable to owners of the Company	<u><u>1.66</u></u>	<u><u>1.87</u></u>	<u><u>0.17</u></u>	<u><u>(0.23)</u></u>

No diluted earnings (loss) per share is presented for the six months ended 30 September 2017 and 2016 as there were no potential dilutive ordinary shares outstanding during the respective periods.

11. TRADE AND BILLS RECEIVABLES

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 aging 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:

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
1–30 days	35,791	6,476
31–60 days	2,710	208
61–90 days	1,316	1,129
Over 90 days	<u>439</u>	<u>195</u>
	<u>40,256</u>	<u>8,008</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
Trade payables	55,640	6,902
Accruals and other payables	<u>13,882</u>	<u>11,374</u>
	<u>69,522</u>	<u>18,276</u>

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

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
1–30 days	31,519	5,122
31–60 days	23,511	1,113
61–90 days	262	626
Over 90 days	<u>348</u>	<u>41</u>
	<u>55,640</u>	<u>6,902</u>

13. SHARE CAPITAL

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

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017 (audited)	39,000	390
Increase in authorized share capital (<i>Note (a)</i>)	<u>961,000</u>	<u>9,610</u>
At 30 September 2017 (unaudited)	<u><u>1,000,000</u></u>	<u><u>10,000</u></u>
Issued:		
At 1 April 2017 (audited)	9	—
Issuance of new shares (<i>Note (b)</i>)	125,000	1,250
Issuance of shares by capitalization of share premium account (<i>Note (b)</i>)	<u>374,991</u>	<u>3,750</u>
At 30 September 2017 (unaudited)	<u><u>500,000</u></u>	<u><u>5,000</u></u>

Notes:

- (a) On 8 May 2017, 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) 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\$0.50 per share by way of Share Offer. On the same day, the Directors of the Company were authorised to allot and issue a total of 374,991,000 shares, credited and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of approximately HK\$197.2 million for the six months ended 30 September 2017, representing a decrease of approximately 3.5% as compared to the amount of approximately HK\$204.3 million for the corresponding period. The Group's profit and total comprehensive income attributable to owners of the Company amounted to approximately HK\$0.8 million for the six months ended 30 September 2017, turned around from the loss and total comprehensive expense attributable to owners of the Company for the six months ended 30 September 2016 of approximately HK\$0.9 million. Such turnaround was mainly attributable to a significant decrease in non-recurring listing expenses incurred for the six months ended 30 September 2017 to approximately HK\$2.0 million from approximately HK\$6.5 million for the six months ended 30 September 2016. During the six months ended 30 September 2017, the Group's revenue and profit were affected by the decrease in demand from existing customers although the end consumers' sentiment improved in the global apparel retail market.

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017. 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"). During the period from the Listing Date to 30 September 2017, approximately HK\$4.6 million of the Net Proceeds was utilized in accordance with the proposed implementation plans as disclosed under the section headed "Statement of business objectives and use of proceeds" in the Prospectus. Further details are set out in the section headed "Use of proceeds" in this announcement.

Financial Review

Revenue

The Group's knitwear products can be divided into two categories, namely womenswear and menswear. During the six months ended 30 September 2017, the Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 78.7% 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				Rate of change
	2017		2016		
	HK\$'000	%	HK\$'000	%	%
Womenswear	155,247	78.7	157,738	77.2	(1.6)
Menswear	41,976	21.3	46,590	22.8	(9.9)
	<u>197,223</u>	<u>100.0</u>	<u>204,328</u>	<u>100.0</u>	<u>(3.5)</u>

During the six months ended 30 September 2017, the sales volume of the Group amounted to approximately 3.6 million pieces of finished knitwear products. Set out below are the total sales quantities of each product category for each of the reporting period:

	Six months ended 30 September				Rate of change %
	2017		2016		
	Pieces ('000)	%	Pieces ('000)	%	
Womenswear	2,952	81.2	2,859	78.2	3.3
Menswear	683	18.8	796	21.8	(14.2)
	<u>3,635</u>	<u>100.0</u>	<u>3,655</u>	<u>100.0</u>	<u>(0.5)</u>

The selling price of each of the product categories depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set 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 piece of finished products sold by the Group by category for each of the reporting period:

	Six months ended 30 September		Rate of change %
	2017	2016	
	Average selling price (Note) HK\$	Average selling price (Note) HK\$	
Womenswear	52.6	55.2	(4.7)
Menswear	61.5	58.5	5.1
Overall average selling price	<u>54.3</u>	<u>55.9</u>	<u>(2.9)</u>

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

The Group's revenue decreased by approximately 3.5%, or approximately HK\$7.1 million, from approximately HK\$204.3 million for the six months ended 30 September 2016 to approximately HK\$197.2 million for the six months ended 30 September 2017. The decrease in revenue was mainly attributable to the decrease in sales volume of the menswear products coupled with the decrease in average selling price of the womenswear products.

Womenswear

During the six months ended 30 September 2017, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear decreased by approximately HK\$2.5 million or 1.6%, from approximately HK\$157.7 million for the six months ended 30 September 2016 to approximately HK\$155.2 million for the six months ended 30 September 2017. Such decrease was mainly attributable to the decrease in average selling price from approximately HK\$55.2 for the six months ended 30 September 2016 to approximately HK\$52.6 for the six months ended 30 September 2017, which outweighs the increase in sales volume from approximately 2.9 million pieces for the six months ended 30 September 2016 to approximately 3.0 million pieces for the six months ended 30 September 2017.

Menswear

The Group's revenue derived from the sales of menswear decreased by approximately HK\$4.6 million or 9.9%, from approximately HK\$46.6 million for the six months ended 30 September 2016 to approximately HK\$42.0 million for the six months ended 30 September 2017. Such decrease was mainly attributable to the decrease in sales volume from approximately 0.8 million pieces for the six months ended 30 September 2016 to approximately 0.7 million pieces for the six months ended 30 September 2017, which outweighs the increase in average selling price from approximately HK\$58.5 for the six months ended 30 September 2016 to approximately HK\$61.5 for the six months ended 30 September 2017.

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 decreased to approximately HK\$169.3 million for the six months ended 30 September 2017 from approximately HK\$174.5 million for the six months ended 30 September 2016, representing a decrease of approximately 3.0%. The Group's cost of sales decreased along with the decrease in the Group's revenue for the six months ended 30 September 2017.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$27.9 million for the six months ended 30 September 2017 from approximately HK\$29.8 million for the six months ended 30 September 2016, representing a decrease of approximately 6.4%. The decrease was primarily attributable to the decrease in gross profit margin of womenswear products for the six months ended 30 September 2017. The Group's gross profit margin slightly decreased to approximately 14.2% for the six months ended 30 September 2017 from approximately 14.6% for the six months ended 30 September 2016. Such decrease in the Group's gross profit margin was mainly attributable to the decrease in the gross profit margin of womenswear products which in turn was mainly due to a decrease in purchase orders of relatively higher priced products from a major customer with higher gross profit margin. Despite facing

the challenging trading environment during the six months ended 30 September 2017, the Group endeavoured to maintain the gross profit margin whilst offering satisfactory supply chain management total solutions to its customers.

Other income

Other income mainly consists of sample sales income and bank interest income. The Group's other income decreased to approximately HK\$0.6 million for the six months ended 30 September 2017 as compared with approximately HK\$0.7 million for the six months ended 30 September 2016, representing a decrease of approximately 14.3%.

Other loss

The Group recorded other loss amounting to approximately HK\$0.1 million for the six months ended 30 September 2017 and approximately HK\$1.1 million for the six months ended 30 September 2016, respectively. Such other loss was the exchange differences arising from the Group's revenue denominated in US\$, which was mainly due to the fact that translation of the 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.

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\$13.0 million for the six months ended 30 September 2017 from approximately HK\$11.8 million for the six months ended 30 September 2016, representing an increase of approximately 10.2%. Such an increase was mainly attributable to an increase in (i) advertising expenses; (ii) logistic expenses; and (iii) staff costs and benefits of merchandising staff to cope with the Group's expansion plan as disclosed in the section headed "Statement of business objectives and use of proceeds" of the Prospectus.

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 increased to approximately HK\$11.9 million for the six months ended 30 September 2017 from approximately HK\$10.6 million for the six months ended 30 September 2016, representing an increase of approximately 12.3%. Such an increase was mainly attributable to an increase in (i) depreciation; and (ii) professional fees incurred following the listing of the Shares of the Company in May 2017.

Listing expenses

The Group recognised non-recurring listing expenses of approximately HK\$2.0 million for the six months ended 30 September 2017 whilst there was approximately HK\$6.5 million of non-recurring listing expenses recognised for the six months ended 30 September 2016.

Profit (loss) and total comprehensive income (expense) attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company amounted to approximately HK\$0.8 million for the six months ended 30 September 2017, turned around from loss and total comprehensive expenses attributable to owners of the Company of approximately HK\$0.9 million for the six months ended 30 September 2016. If the non-recurring listing expenses of approximately HK\$2.0 million (six months ended 30 September 2016: approximately HK\$6.5 million) were excluded, the Group's adjusted profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2017 would have been approximately HK\$2.8 million, representing a decrease of approximately 50.0% compared to the adjusted profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2016 of approximately HK\$5.6 million.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

Liquidity and Financial Resources

During the six months ended 30 September 2017, the Group's operations were mainly financed through internally generated cash flows, borrowings from banks and Net Proceeds raised from the Share Offer. As at 30 September 2017 and 31 March 2017, the Group had net current assets of approximately HK\$77.2 million and HK\$24.2 million respectively, including cash and bank balances of approximately HK\$67.2 million and HK\$38.5 million respectively. The Group's current ratio increased from approximately 1.6 as at 31 March 2017 to approximately 2.0 as at 30 September 2017. Such an increase was mainly attributable to the increase in bank balances and cash, and the repayment of bank borrowings as at 30 September 2017.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date. As at 30 September 2017, the Group's gearing ratio was nil, while it was 0.8 times as at 31 March 2017. Such decrease in gearing ratio from approximately 0.8 times as at 31 March 2017 to nil as at 30 September 2017 was mainly due to the full repayment of bank borrowings during the six months ended 30 September 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 relation to management of 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.

Capital Structure

The Shares of the Company were successfully listed on GEM 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 30 September 2017, the Company's issued share capital amounted to HK\$5.0 million divided by 500,000,000 Shares of HK\$0.01 each.

Significant Investments

During the reporting period, no significant investments were made by the Group.

Future Plans for Material Investments and Capital Assets

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

Charges on the Group's Assets

The amount of pledged bank deposits was HK\$15.0 million as at 30 September 2017 (31 March 2017: approximately HK\$6.0 million). The entire pledged deposit of the Group which was pledged to banks to secure certain banking facilities granted to the Group previously were released and there was a new pledged bank deposit placed to secure the Group's banking facilities during the six month ended 30 September 2017.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$1.6 million and HK\$2.2 million as at 30 September 2017 and 31 March 2017 respectively. As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: Nil).

Contingent Liabilities

As at 30 September 2017, our Group did not have any material contingent liabilities or guarantees.

Foreign Exchange Exposure

Certain trade and bills receivables, other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and obligation under a finance lease are denominated in the foreign currency of the respective group entities which are exposed to foreign currency risk. Although the Group's revenue and major expenses are mainly dominated 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 have a foreign currency hedging policy. However, management 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 2017 and 2016, the Group employed a total of 76 and 75 full-time employees respectively. The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2017 and 2016, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$12.3 million and HK\$11.2 million respectively. Remuneration is determined with reference to market terms and the performance, qualification, experience, position and seniority of individual employees. 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.

The remuneration committee is responsible for reviewing and determining 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 Group's share option scheme.

Use of Proceeds

The Shares were successfully listed on GEM of the Stock Exchange on 31 May 2017. The Group raised the Net Proceeds from the Share Offer of approximately HK\$35.9 million. 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 30 September 2017, the unutilised Net Proceeds amounted to approximately HK\$31.3 million. The following table sets forth a breakdown of the use of Net Proceeds during the period from the Listing Date to 30 September 2017:

	Net proceeds available	Utilised	Unutilised
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening and diversifying the Group’s customers base	4.8	0.7	4.1
Further expanding the Group’s product mix to cater to the customers’ need	9.6	1.1	8.5
Enhancing the Group’s design and development capabilities	7.3	0.5	6.8
Enhancing the Group’s inventory management to strengthen operational efficiency	<u>14.2</u>	<u>2.3</u>	<u>11.9</u>
	<u><u>35.9</u></u>	<u><u>4.6</u></u>	<u><u>31.3</u></u>

Future Prospects

The Shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017. The Directors believe that the listing of the Shares on GEM 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” of the Prospectus. Furthermore, the listing status on the Stock Exchange will offer the Group access to capital markets 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 the customers and to create the best tailor-made designs and products for them at competitive prices. The Group plans to recruit suitable candidate(s), who should have extensive networks and immense experience in the apparel industry worldwide, to join the Group as employee(s) for introducing to the Group new customers and business opportunities with the aim to further broaden the Group’s customer base for continuous growth, if and when the opportunity arises.

The Group will set up new merchandising teams and strengthen the design team. The Group also plans to set up a new office and showroom in Japan with a view to 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. The Directors are confident that the Group is able to expand the markets and types of customers served and to become one of the major supply chain management companies in Hong Kong.

The Directors will also continue to explore opportunities to diversify the Group's operation so that the customer base could be strengthened and diversified. The Directors will continue to review and evaluate the business objective and strategy and make timely execution taking into account the business risks and market uncertainties. The Directors believe that the Group is able to retain existing customers by offering satisfactory supply chain management total solutions.

OTHER INFORMATION

Directors' Interests in Competing Businesses

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) 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 reporting period.

Corporate Governance Practices

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.

From the Listing Date to 30 September 2017, 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 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.

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 from the Listing Date to 30 September 2017.

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 2017, 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 2017 which would materially affect the Group’s operating 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 2017 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, 7 November 2017

As at the date of this announcement, the executive Directors are Mr. Chan Wing Kai and Mr. Ng Ming Ho; and the independent non-executive Directors are Mr. Kwok Chi Shing, Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin.