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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)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017**

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

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

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

*This 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](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.speedapparel.com.hk](http://www.speedapparel.com.hk).*

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2017, unaudited operating results of the Group were as follows:

- Revenue of approximately HK\$311.1 million was recorded for the nine months ended 31 December 2017;
- Profit after taxation for the nine months ended 31 December 2017 amounted to approximately HK\$8.1 million; and
- Basic earnings per Share for the nine months ended 31 December 2017 based on weighted average number of approximate ordinary Shares of 472,727,000 was approximately 1.72 HK cents.

### THIRD QUARTERLY 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 nine months ended 31 December 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 nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	5	113,912	150,721	311,135	355,049
Cost of sales		<u>(93,890)</u>	<u>(129,062)</u>	<u>(263,199)</u>	<u>(303,609)</u>
Gross profit		20,022	21,659	47,936	51,440
Other income	6	442	621	1,052	1,333
Other loss		(83)	(656)	(226)	(1,708)
Selling and distribution expenses		(5,242)	(6,391)	(18,274)	(18,168)
Administrative expenses		(6,242)	(5,710)	(18,134)	(16,343)
Listing expenses		—	(561)	(1,951)	(7,055)
Finance costs		<u>(4)</u>	<u>(164)</u>	<u>(146)</u>	<u>(525)</u>
Profit before taxation		8,893	8,798	10,257	8,974
Income tax expense	7	<u>(1,541)</u>	<u>(1,642)</u>	<u>(2,111)</u>	<u>(2,692)</u>
Profit for the period		<u>7,352</u>	<u>7,156</u>	<u>8,146</u>	<u>6,282</u>
<b>Other comprehensive income (expense)</b>					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<u>36</u>	<u>(48)</u>	<u>88</u>	<u>(81)</u>
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<u>7,388</u>	<u>7,108</u>	<u>8,234</u>	<u>6,201</u>
		<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	9	<u>1.47</u>	<u>1.91</u>	<u>1.72</u>	<u>1.68</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note i)	Capital reserve HK\$'000 (Note ii)	Exchange reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2016 (audited)	4,000	—	(19,229)	—	1	34,600	19,372
Profit for the period	—	—	—	—	—	6,282	6,282
Exchange differences arising on the translation of foreign operations	—	—	—	—	(81)	—	(81)
Profit and total comprehensive expense for the period	—	—	—	—	(81)	6,282	6,201
Arising from the Reorganisation (as defined in Note 2)	(4,000)	—	—	4,000	—	—	—
<b>At 31 December 2016 (unaudited)</b>	<b>—</b>	<b>—</b>	<b>(19,229)</b>	<b>4,000</b>	<b>(80)</b>	<b>40,882</b>	<b>25,573</b>
At 1 April 2017 (audited)	—	—	(19,229)	4,000	(63)	40,694	25,402
Profit for the period	—	—	—	—	—	8,146	8,146
Exchange differences arising on the translation of foreign operations	—	—	—	—	88	—	88
Profit and total comprehensive income for the period	—	—	—	—	88	8,146	8,234
Issuance of new Shares (Note iii)	1,250	61,250	—	—	—	—	62,500
Transaction costs attributable to issuance of new Shares	—	(9,844)	—	—	—	—	(9,844)
Issuance of Shares by capitalisation of share premium account	3,750	(3,750)	—	—	—	—	—
<b>At 31 December 2017 (unaudited)</b>	<b>5,000</b>	<b>47,656</b>	<b>(19,229)</b>	<b>4,000</b>	<b>25</b>	<b>48,840</b>	<b>86,292</b>

*Notes:*

- (i) Special reserve represents the corresponding movements in resources of the Group as a result of the changes in the bank accounts of Speed Apparel Limited (“**Speed Apparel**”) and Firenze Apparel Limited (“**Firenze Apparel**”), none of these entities formed part of the Group but are held and controlled by Mr. Chan Wing Kai (“**Mr. Chan**”), being the controlling shareholder of the Group, as a result of transactions relating to the Other Assets and Liabilities (as defined in Note 2) which were reflected in the consolidated financial statements in prior years and up to the date of Business Transfer (as defined in Note 2), as set out in further details in Note 2.
- (ii) Capital reserve represents the difference between the nominal value of the one Share of the Company issued as part of the Reorganisation to acquire Knit World International Limited (“**Knit World**”), a subsidiary of the Company, from Mr. Chan and the nominal value of the then issued share capital of Knit World.
- (iii) On 31 May 2017, the Company issued 125,000,000 new Shares at HK\$0.50 per Share by way of share offer (the “**Share Offer**”). Total gross proceeds of HK\$62,500,000 were raised from the Share Offer. The net proceeds (after deduction of underwriting fees and expenses borne by the Company in relation to the Share Offer) will be used to finance the implementation plan as set forth in the section headed “Statement of business objectives and use of proceeds” of the prospectus of the Company dated 16 May 2017 (the “**Prospectus**”). The proceeds of HK\$1,250,000 representing the par value of the Shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$61,250,000 before issuing expenses, were credited to share premium account.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 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 nine months ended 31 December 2017 (the "**Third Quarterly 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 Third Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The Third Quarterly 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 Third Quarterly Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

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

The preparation of the Third Quarterly 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 Third Quarterly 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 Third Quarterly Financial Statements. 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

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:

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	<u>113,912</u>	<u>150,721</u>	<u>311,135</u>	<u>355,049</u>

#### 6. OTHER INCOME

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sample sales income	349	618	957	1,321
Bank interest income	<u>93</u>	<u>3</u>	<u>95</u>	<u>12</u>
Total other income	<u>442</u>	<u>621</u>	<u>1,052</u>	<u>1,333</u>



## 7. INCOME TAX EXPENSE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax				
Current period	<u>1,603</u>	<u>1,624</u>	<u>2,167</u>	<u>2,695</u>
PRC Enterprise Income Tax (“EIT”)				
Current period	(31)	16	9	27
Overprovision in prior year	<u>—</u>	<u>—</u>	<u>(107)</u>	<u>—</u>
	<u>(31)</u>	<u>16</u>	<u>(98)</u>	<u>27</u>
Deferred tax debit (credit)	<u>(31)</u>	<u>2</u>	<u>42</u>	<u>(30)</u>
Total income tax expense	<u><u>1,541</u></u>	<u><u>1,642</u></u>	<u><u>2,111</u></u>	<u><u>2,692</u></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 nine months ended 31 December 2017 (for the nine months ended 31 December 2016: Nil).

## 9. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	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:				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per Share	<u>7,352</u>	<u>7,156</u>	<u>8,146</u>	<u>6,282</u>
	'000	'000	'000	'000
Number of Shares:				
Weighted average number of ordinary Shares for the purpose of basic earnings per Share	<u>500,000</u>	<u>375,000</u>	<u>472,727</u>	<u>375,000</u>
	<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	<u>1.47</u>	<u>1.91</u>	<u>1.72</u>	<u>1.68</u>

No diluted earnings per Share is presented for the nine months ended 31 December 2017 and 2016 as there were no potential dilutive ordinary Shares outstanding during the respective periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group sells knitwear products predominately in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services.

The Group recorded a revenue of approximately HK\$311.1 million for the nine months ended 31 December 2017, representing a decrease of approximately 12.4% as compared to the amount of approximately HK\$355.0 million for the corresponding period last year. The Group's profit and total comprehensive income attributable to owners of the Company increased by approximately 32.3% or HK\$2.0 million from approximately HK\$6.2 million for the nine months ended 31 December 2016 to approximately HK\$8.2 million for the nine months ended 31 December 2017. Such increase was mainly attributable to a significant decrease in non-recurring listing expenses incurred for the nine months ended 31 December 2017 to approximately HK\$2.0 million from approximately HK\$7.1 million for the nine months ended 31 December 2016. During the nine months ended 31 December 2017, the Group's revenue and profit was affected by the decrease in demand from the existing customers although the end consumers' sentiment turned better in the worldwide 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**"). 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.

## Financial Review

### Revenue

The Group's knitwear products are divided into two categories, namely womenswear and menswear. During the nine months ended 31 December 2017, the Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 83.5% 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:

	Nine months ended 31 December				Percentage of change %
	2017		2016		
	HK\$'000	%	HK\$'000	%	
Womenswear	<b>259,941</b>	<b>83.5</b>	283,274	79.8	(8.3)
Menswear	<b>51,194</b>	<b>16.5</b>	71,775	20.2	(28.7)
	<b><u>311,135</u></b>	<b><u>100.0</u></b>	<b><u>355,049</u></b>	<b><u>100.0</u></b>	<b><u>(12.4)</u></b>

During the nine months ended 31 December 2017, the sales volume of the Group amounted to approximately 5.7 million pieces of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Nine months ended 31 December				Percentage of change %
	2017		2016		
	Pieces ( '000)	%	Pieces ( '000)	%	
Womenswear	<b>4,862</b>	<b>85.6</b>	4,958	80.1	(2.0)
Menswear	<b>820</b>	<b>14.4</b>	1,229	19.9	(33.3)
	<b><u>5,682</u></b>	<b><u>100.0</u></b>	<b><u>6,187</u></b>	<b><u>100.0</u></b>	<b><u>(8.1)</u></b>

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 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:

	<b>Nine months ended</b>		Percentage of change
	<b>31 December</b>		
	<b>2017</b>	2016	
	<b>Average</b>	Average	
	<b>selling price</b>	selling price	
	<i>(Note)</i>	<i>(Note)</i>	
	<b>HK\$</b>	<b>HK\$</b>	<b>%</b>
Womenswear	<b>53.5</b>	57.1	(6.3)
Menswear	<b>62.4</b>	58.4	6.8
Overall average selling price	<b>54.8</b>	57.4	(4.5)

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

The Group's revenue decreased by approximately 12.4%, or approximately HK\$43.9 million, from approximately HK\$355.0 million for the nine months ended 31 December 2016 to approximately HK\$311.1 million for the nine months ended 31 December 2017. The decrease in revenue was mainly attributable to the substantial decrease in sales volume of the menswear products coupled with the decrease in average selling price of the womenswear products.

#### *Womenswear*

During the nine months ended 31 December 2017, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear decreased by approximately HK\$23.4 million or 8.3%, from approximately HK\$283.3 million for the nine months ended 31 December 2016 to approximately HK\$259.9 million for the nine months ended 31 December 2017. Such decrease was mainly attributable to the decrease in average selling price from approximately HK\$57.1 for the nine months ended 31 December 2016 to approximately HK\$53.5 for the nine months ended 31 December 2017, coupled with the slight decrease in sales volume from approximately 5.0 million pieces for the nine months ended 31 December 2016 to approximately 4.9 million pieces for the nine months ended 31 December 2017.

### *Menswear*

The Group's revenue derived from the sales of menswear decreased significantly by approximately HK\$20.6 million or 28.7%, from approximately HK\$71.8 million for the nine months ended 31 December 2016 to approximately HK\$51.2 million for the nine months ended 31 December 2017. Such decrease was mainly attributable to the substantial decrease in sales volume from approximately 1.2 million pieces for the nine months ended 31 December 2016 to approximately 0.8 million pieces for the nine months ended 31 December 2017, which outweighs the increase in average selling price from approximately HK\$58.4 for the nine months ended 31 December 2016 to approximately HK\$62.4 for the nine months ended 31 December 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\$263.2 million for the nine months ended 31 December 2017 from approximately HK\$303.6 million for the nine months ended 31 December 2016, representing a decrease of approximately 13.3%. The Group's cost of sales decreased along with the decrease in the Group's revenue for the nine months ended 31 December 2017.

### *Gross profit and gross profit margin*

The Group's gross profit decreased to approximately HK\$47.9 million for the nine months ended 31 December 2017 from approximately HK\$51.4 million for the nine months ended 31 December 2016, representing a decrease of approximately 6.8%. The decrease was mainly attributable to the decrease in sales volume of knitwear products coupled with the decrease in overall average selling price for the nine months ended 31 December 2017. The Group's gross profit margin increased to approximately 15.4% for the nine months ended 31 December 2017 from approximately 14.5% for the nine months ended 31 December 2016. Such increase in the Group's gross profit margin was mainly attributable to the increase in the gross profit margin of menswear product. Despite facing the challenging trading environment during the nine months ended 31 December 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\$1.1 million for the nine months ended 31 December 2017 as compared with approximately HK\$1.3 million for the nine months ended 31 December 2016, representing a decrease of approximately 15.4%.

### ***Other loss***

The Group recorded other loss amounting to approximately HK\$0.2 million for the nine months ended 31 December 2017 and approximately HK\$1.7 million for the nine months ended 31 December 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. The decrease in other loss was primarily due to the exchange gain arising from depositing the relevant payment from customers into the Group's HK\$ denominated bank accounts.

### ***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 expenses increased slightly to approximately HK\$18.3 million for the nine months ended 31 December 2017 from approximately HK\$18.2 million for the nine months ended 31 December 2016, representing an increase of approximately 0.5%. Such an increase was mainly attributable to an increase in staff costs and benefits of merchandising staff which outweighs the decrease in logistic expenses and sample costs.

### ***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\$18.1 million for the nine months ended 31 December 2017 from approximately HK\$16.3 million for the nine months ended 31 December 2016, representing an increase of approximately 11.0%. Such an increase was mainly attributable to the 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 nine months ended 31 December 2017 whilst there was approximately HK\$7.1 million of non-recurring listing expenses recognised for the nine months ended 31 December 2016.

### ***Profit and total comprehensive income attributable to owners of the Company***

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$8.2 million for the nine months ended 31 December 2017 from approximately HK\$6.2 million for the nine months ended 31 December 2016. If the non-recurring listing expenses of approximately HK\$2.0 million (nine months ended 31 December 2016: approximately HK\$7.1 million) were excluded, the Group's adjusted profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 December 2017 would have been approximately HK\$10.2

million, representing a decrease of approximately 23.3% compared to the adjusted profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 December 2016 of approximately HK\$13.3 million.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).

### **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 31 December 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 those 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\$15.3 million as at 31 December 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 nine month ended 31 December 2017.

### **Contingent Liabilities**

As at 31 December 2017, the Group did not have any material contingent liabilities or guarantees.

### **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.

Subsequent to the Listing Date, the Group has setting up a new merchandising team and recruited new designers as the Group intends to further expand the Group’s product variety. The Group is also exploring and identifying the location of 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 still confident that the Group is able to expand the markets and types of customers served notwithstanding the decrease in revenue during the reporting period.

The Directors will also continue to explore opportunities to diversify the Group’s operation so that the customers 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 are able to retain existing customers by offering satisfactory supply chain management total solutions.

## OTHER INFORMATION

### Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2017, 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 of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

<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 (Note 1)</b>
Mr. Chan Wing Kai	Interest of a controlled corporation	375,000,000 (L) (Note 2, 3)	75%

*Notes:*

1. As at 31 December 2017, the Company’s issued ordinary share capital was HK\$5,000,000 divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development, a company incorporated in the BVI on 12 November 2015 and an investment holding company, is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.
3. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, none of the Directors or chief executive of the Company had any other interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## Interests and Short Positions of Substantial Shareholders in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2017, so far as it is known to the Directors, the following persons, other than Directors or chief executive of the Company, who held interest or short position in the Company's Shares and underlying Shares were recorded in the register of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

*Notes:*

- As at 31 December 2017, the Company's issued ordinary share capital was HK\$5,000,000 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.
- Ms. Cheung is the spouse of Mr. Chan. She is deemed to be interested in the Shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executives of the Company who held interest or short position in the Shares and underlying Shares of the Company which required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 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 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 31 December 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 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 from the Listing Date to 31 December 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 nine months ended 31 December 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 31 December 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 third quarterly results for the nine months ended 31 December 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 February 2018

*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.*