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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

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.

*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 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 three months ended 30 June 2018, unaudited operating results of the Group were as follows:

- Revenue of approximately HK\$17.3 million was recorded for the three months ended 30 June 2018;
- Loss after taxation for the three months ended 30 June 2018 amounted to approximately HK\$7.0 million;
- Basic loss per Share for the three months ended 30 June 2018 based on weighted average number of ordinary Shares of 500,000,000 was approximately 1.40 HK cents; and
- The Board does not recommend the payment of interim dividend for the three months ended 30 June 2018.

FIRST 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 ended 30 June 2018 together with comparative unaudited figures for the corresponding period in 2017 as follows:

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

For the three months ended 30 June 2018

	<i>Notes</i>	Three months ended 30 June	
		2018 <i>HK\$’000</i> (unaudited)	2017 <i>HK\$’000</i> (unaudited)
Revenue	4	17,333	38,523
Cost of sales		(14,530)	(33,232)
Gross profit		2,803	5,291
Other income	5	425	227
Other loss		(682)	(79)
Selling and distribution expenses		(4,076)	(5,650)
Administrative expenses		(5,458)	(5,235)
Listing expenses		–	(1,951)
Finance costs		(14)	(116)
Loss before taxation		(7,002)	(7,513)
Income tax expense	6	(5)	(10)
Loss for the period		(7,007)	(7,523)
Other comprehensive (expense) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(85)	26
Loss and total comprehensive expense for the period attributable to owners of the Company		(7,092)	(7,497)
		HK cents	HK cents
Basic loss per Share for the period attributable to owners of the Company	8	(1.40)	(1.80)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	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 2017 (audited)	–	–	(19,229)	4,000	(63)	40,694	25,402
Loss for the period	–	–	–	–	–	(7,523)	(7,523)
Exchange differences arising on the translation of foreign operations	–	–	–	–	26	–	26
Loss and total comprehensive expense for the period	–	–	–	–	26	(7,523)	(7,497)
Issuance of new Shares	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)	–	–	–	–	–
At 30 June 2017 (unaudited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>(37)</u>	<u>33,171</u>	<u>70,561</u>
At 1 April 2018 (audited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>86</u>	<u>54,778</u>	<u>92,291</u>
Loss for the period	–	–	–	–	–	(7,007)	(7,007)
Exchange differences arising on the translation of foreign operations	–	–	–	–	(85)	–	(85)
Loss and total comprehensive expense for the period	–	–	–	–	(85)	(7,007)	(7,092)
At 30 June 2018 (unaudited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>1</u>	<u>47,771</u>	<u>85,199</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

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 Wing Kai (“**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 choosing HK\$ as the presentation currency best suits the needs of the shareholders of the Company and investors.

The shares of the Company (the “**Share(s)**”) have been listed on GEM since 31 May 2017 (stock code: 8183).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 (the “**First 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 First Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The First 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 First Quarterly Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

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

The preparation of the First 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 2018.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 2018, the accounting policies applied in preparing the First Quarterly Financial Statements are consistent with those of the annual financial statements for the year ended 31 March 2018, as disclosed in the Company's annual report for the year ended 31 March 2018. The Directors anticipate that the application of these new and revised HKFRSs will not materially impact on the First 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.

4. REVENUE

The Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts 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 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	17,333	38,523

5. OTHER INCOME

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

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sample sales income	268	225
Bank interest income	157	2
Total other income	425	227

6. INCOME TAX EXPENSE

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

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong Profits Tax	–	2
PRC Enterprise Income Tax (“EIT”)	<u>5</u>	<u>8</u>
Total income tax expense	<u><u>5</u></u>	<u><u>10</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 tax 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 three months ended 30 June 2018.

No provision for Japan corporate income tax has been made as the subsidiary in Japan did not generate any assessable profits during the three months ended 30 June 2018.

7. DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 30 June 2018 (for the three months ended 30 June 2017: Nil).

8. LOSS PER SHARE

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

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per Share	<u>(7,007)</u>	<u>(7,523)</u>
	<i>'000</i>	<i>'000</i>
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of basic loss per Share	<u>500,000</u>	<u>417,582</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per Share for the period attributable to owners of the Company	<u><u>(1.40)</u></u>	<u><u>(1.80)</u></u>

No diluted loss per Share is presented for the three months ended 30 June 2018 and 2017 as there were no potential dilutive ordinary Shares outstanding during the respective periods.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominantly in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which 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 and/or Thailand.

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$17.3 million for the three months ended 30 June 2018, representing a decrease of approximately 55.1% as compared to the amount of approximately HK\$38.5 million for the corresponding period last year. The decrease in revenue was due to certain customers of the Group delaying the schedule for placing orders for the coming autumn/winter collections in the forthcoming quarter. The Group's gross profit for the three months ended 30 June 2018 amounted to approximately HK\$2.8 million (for the three months ended 30 June 2017: approximately HK\$5.3 million). The decrease in the Group's gross profit for the three months ended 30 June 2018 was mainly attributable to the decrease in the Group's sales volume of the knitwear products. The overall gross profit margin of the Group increased to approximately 16.2% for the three months ended 30 June 2018 from approximately 13.8% for the three months ended 30 June 2017. The increase in gross profit margin was mainly attributable to the decrease in purchase orders of knitwear products with lower gross profit margins from a major customer. Although there was a decrease in the Group's revenue, the Group's loss and total comprehensive expense attributable to owners of the Company decreased slightly from approximately HK\$7.5 million for the three months ended 30 June 2017 to approximately HK\$7.1 million for the three months ended 30 June 2018. Such improvement was mainly attributable to nil non-recurring listing expenses for the three months ended 30 June 2018 comparing to approximately HK\$2.0 million non-recurring listing expenses incurred for the three months ended 30 June 2017.

To cope with the challenging global business environment and to cater to its expansion plan, the Group held a grand opening of the showroom in Japan in late June 2018. 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 an more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image to the existing and potential customers.

FINANCIAL REVIEW

Revenue

The Group's knitwear products are divided into two categories, namely womenswear and menswear. During the three months ended 30 June 2018, the Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 98.6% 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:

	Three months ended 30 June				Percentage of change %
	2018		2017		
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%	
Womenswear	17,093	98.6	35,675	92.6	(52.1)
Menswear	240	1.4	2,848	7.4	(92.9)
Total revenue	<u>17,333</u>	<u>100.0</u>	<u>38,523</u>	<u>100.0</u>	<u>(55.1)</u>

During the three months ended 30 June 2018, the sales volume of the Group amounted to approximately 0.3 million pieces of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Three months ended 30 June				Percentage of change %
	2018		2017		
	Pieces '000 (unaudited)	%	Pieces '000 (unaudited)	%	
Womenswear	337	99.1	697	93.1	(51.6)
Menswear	3	0.9	52	6.9	(94.2)
Total sales quantity	<u>340</u>	<u>100.0</u>	<u>749</u>	<u>100.0</u>	<u>(54.6)</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 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 category for each of the reporting period:

	Three months ended 30 June		
	2018	2017	Percentage of change
	Average selling price (unaudited) (Note) HK\$	Average selling price (unaudited) (Note) HK\$	
Womenswear	50.7	51.2	(1.0)
Menswear	80.0	54.8	46.0
Overall average selling price	51.0	51.4	(0.8)

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 HK\$21.2 million or 55.1%, from approximately HK\$38.5 million for the three months ended 30 June 2017 to approximately HK\$17.3 million for the three months ended 30 June 2018. The decrease in revenue was primarily attributable to the substantial decrease in sales volume of both the womenswear and menswear products.

Womenswear

During the three months ended 30 June 2018, the Group's revenue was mainly derived from the sales of womenswear. Revenue derived from the sales of womenswear decreased by approximately HK\$18.6 million or 52.1%, from approximately HK\$35.7 million for the three months ended 30 June 2017 to approximately HK\$17.1 million for the three months ended 30 June 2018. Such decrease was mainly attributable to the decrease in sales quantity from approximately 0.7 million pieces for the three months ended 30 June 2017 to approximately 0.3 million pieces for the three months ended 30 June 2018.

Menswear

The Group's revenue derived from the sales of menswear decreased by approximately HK\$2.6 million or 92.9%, from approximately HK\$2.8 million for the three months ended 30 June 2017 to approximately HK\$0.2 million for the three months ended 30 June 2018. Such decrease was mainly attributable to the decrease in sales quantity from approximately 52,000 pieces for the three months ended 30 June 2017 to approximately 3,000 pieces for the three months ended 30 June 2018, which outweighs the increase in average selling price of menswear from approximately HK\$54.8 for the three months ended 30 June 2017 to approximately HK\$80.0 for the three months ended 30 June 2018.

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\$14.5 million for the three months ended 30 June 2018 from approximately HK\$33.2 million for the three months ended 30 June 2017, representing a decrease of approximately 56.3%. The Group's cost of sales decreased along with the decrease in the Group's revenue of approximately 55.1% for the three months ended 30 June 2018.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$2.8 million for the three months ended 30 June 2018 from approximately HK\$5.3 million for the three months ended 30 June 2017, representing a decrease of approximately 47.2%. The decrease was mainly attributable to the decrease in the Group's sales volume of the knitwear products. The Group's gross profit margin increased to approximately 16.2% for the three months ended 30 June 2018 from approximately 13.8% for the three months ended 30 June 2017. Such increase in the Group's gross profit margin was mainly attributable to the decrease in purchase orders of knitwear products with lower gross profit margins from a major customer. Despite the Group recorded a decrease in its revenue and the gross profit for the three months ended 30 June 2018, the Group endeavoured to maintain its 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 doubled to approximately HK\$0.4 million for the three months ended 30 June 2018 from approximately HK\$0.2 million for the three months ended 30 June 2017. Such increase in the Group's other income was mainly attributable to the increase in the bank interest income of approximately HK\$0.2 million for the three months ended 30 June 2018 which was generated from the fixed bank deposits.

Other loss

The Group recorded other loss amounting to approximately HK\$0.7 million for the three months ended 30 June 2018 from approximately HK\$0.1 million for the three months ended 30 June 2017. The increase in other loss was mainly due to the foreign exchange loss arising from the foreign currency fluctuations in respect of the Group's pledged bank deposits denominated in Renminbi ("RMB") primarily due to the depreciation of RMB during the reporting period.

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 decreased to approximately HK\$4.1 million for the three months ended 30 June 2018 from approximately HK\$5.7 million for the three months ended 30 June 2017, representing a decrease of approximately 28.1%. Such a decrease was mainly attributable to a decrease in (i) logistic expenses; (ii) sample costs; and (iii) staff costs and benefits of merchandising staff.

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\$5.5 million for the three months ended 30 June 2018 from approximately HK\$5.2 million for the three months ended 30 June 2017, representing an increase of approximately 5.8%. Such an increase was mainly attributable to the increase in administrative expenses of the Japan office incurred for the three months ended 30 June 2018.

Listing expenses

There was nil non-recurring listing expenses recognised for the three months ended 30 June 2018 whilst there was approximately HK\$2.0 million of non-recurring listing expenses recognised for the three months ended 30 June 2017.

Loss and total comprehensive expense attributable to owners of the Company

Loss and total comprehensive expense attributable to owners of the Company improved to approximately HK\$7.1 million for the three months ended 30 June 2018 from approximately HK\$7.5 million for the three months ended 30 June 2017, representing an improvement of approximately 5.3%. Such improvement was mainly attributable to the nil non-recurring listing expenses recognised for the three months ended 30 June 2018 (for the three months ended 30 June 2017: approximately HK\$2.0 million). If the non-recurring listing expenses of approximately HK\$2.0 million for the three months ended 30 June 2017 were excluded, the Group's adjusted loss and total comprehensive expense attributable to owners of the Company for the three months ended 30 June 2018 would have been widened by approximately 29.1% comparing to the adjusted loss and total comprehensive expense attributable to owners of the Company for the three months ended 30 June 2017 of approximately HK\$5.5 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018 (for the three months ended 30 June 2017: Nil).

CAPITAL STRUCTURE

The share capital of the Group only comprises ordinary Shares. As at 30 June 2018, 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 of the Company dated 16 May 2017, 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 approximately HK\$15.0 million as at 30 June 2018 (31 March 2018: approximately HK\$15.9 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities or guarantees.

FUTURE PROSPECTS

The Group has set up a new merchandising team and recruited merchandisers and a new designer responsible for the development of the Group's product variety. Revenue of the first order for seamless knitwear products has been recognized during the three months ended 30 June 2018. The Group will continue to develop and create more promotion samples for further expansion of the Group's product variety to cater to the customers' existing and potential needs.

Furthermore, 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 an more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image to the existing and potential customers. In view of the foregoing, the Directors believe that the Group will be able to continuously solicit new customers as well as new fashion brands including but not limited to the Japan market which in turn will drive to the business growth of the Group in long run.

The Directors will also continue to explore opportunities to diversify the Group's operations so that the customers base 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. The Directors believe that the Group are able to retain existing customers by offering satisfactory supply chain management 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 30 June 2018, 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:

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

Notes:

1. As at 30 June 2018, the Company’s issued ordinary share capital was HK\$5,000,000 divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development is 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.

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 30 June 2018, 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 <i>(Note 1)</i>
Speed Development	Beneficial owner	375,000,000 (L) <i>(Notes 2,3)</i>	75%
Ms. Cheung Hung ("Ms. Cheung")	Spouse interest	375,000,000 (L) <i>(Note 4)</i>	75%

Notes:

- As at 30 June 2018, 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 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 three months ended 30 June 2018.

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 three months ended 30 June 2018, 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 June 2018 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 first quarterly results for the three months ended 30 June 2018 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 August 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 Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin.