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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019**

#### **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](http://www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published on the website of the Company at [www.speedapparel.com.hk](http://www.speedapparel.com.hk).*

## FINANCIAL HIGHLIGHTS

For the year ended 31 March 2019, the audited operating results of the Group are as follows:

- Revenue of approximately HK\$433.0 million was recorded for the year ended 31 March 2019;
- Profit after taxation for the year ended 31 March 2019 amounted to approximately HK\$27.2 million;
- Basic earnings per share for the year ended 31 March 2019 based on weighted average number of 500,000,000 ordinary shares was approximately 5.5 HK cents; and
- The Directors proposed the payment of a final dividend of 1.6 HK cents per share of the Company for the year ended 31 March 2019.

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2019, together with comparative audited figures for the preceding financial year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	4 & 6	<b>433,004</b>	390,423
Cost of sales		<u>(349,535)</u>	<u>(325,955)</u>
<b>Gross profit</b>		<b>83,469</b>	64,468
Interest income		<b>486</b>	258
Other income	5	<b>655</b>	1,941
Selling and distribution expenses		<b>(27,789)</b>	(23,497)
Administrative expenses		<u>(23,987)</u>	<u>(23,130)</u>
<b>Profit from operations</b>		<b>32,834</b>	20,040
Listing expenses		–	(2,580)
Finance costs		<u>(111)</u>	<u>(151)</u>
<b>Profit before tax</b>		<b>32,723</b>	17,309
Income tax expense	7	<u>(5,489)</u>	<u>(3,225)</u>
<b>Profit for the year</b>	8	<u><b>27,234</b></u>	<u>14,084</u>
<b>Other comprehensive (expense) income:</b>			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(112)</u>	<u>149</u>
<b>Other comprehensive (expense) income for the year</b>		<u>(112)</u>	<u>149</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>27,122</b></u>	<u>14,233</u>
<b>Earnings per share</b>	10		
Basic and diluted (HK cents)		<u><b>5.45</b></u>	<u>2.94</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		3,537	1,680
Deferred tax asset		–	7
		3,537	1,687
<b>Current assets</b>			
Inventories		4,443	5,767
Trade and bills receivables	11	23,268	9,219
Prepayments, deposits and other receivables		20,339	4,490
Pledged bank deposits		14,925	15,864
Bank and cash balances		77,688	83,350
		140,663	118,690
<b>Current liabilities</b>			
Trade and other payables	12	29,014	26,884
Tax payable		2,835	818
Finance lease payable		128	122
		31,977	27,824
<b>Net current assets</b>		<b>108,686</b>	90,866
<b>Total assets less current liabilities</b>		<b>112,223</b>	92,553
<b>Non-current liabilities</b>			
Finance lease payable		134	262
Deferred tax liability		176	–
		310	262
<b>NET ASSETS</b>		<b>111,913</b>	92,291
<b>Capital and reserves</b>			
Share capital	13	5,000	5,000
Reserves		106,913	87,291
<b>TOTAL EQUITY</b>		<b>111,913</b>	92,291

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 November 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong. The shares of the Company have been listed on GEM of the Stock Exchange since 31 May 2017 (stock code: 8183).

The Company is an investment holding company and its subsidiaries are principally engaged in provision of apparel supply chain management service selling knitwear apparel products to its customers.

In the opinion of the Directors of the Company, the immediate and ultimate holding company is Speed Development Co. Ltd, a limited liability company incorporated in the British Virgin Islands, and Mr. Chan Wing Kai (“**Mr. Chan**”) is the ultimate controlling party of the Company.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by The Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

## **Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **Foreign currency translation**

### ***(a) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's presentation currency. The Functional Currency of the Company is United States dollars ("**US\$**"). The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders (the "**Shareholders**") of the Company and investors.

### ***(b) Transactions and balances in each entity's financial statements***

Transactions in foreign currencies are translated into the Functional Currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group's entities that have a Functional Currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised as the exchange reserve and accumulated in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**4. REVENUE**

The Group's revenue which represents fashion trading to customers is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fashion trading	<b>433,004</b>	390,423

## Disaggregation of revenue from contracts with customers

### *Geographical information*

<b>Geographical markets</b>	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Japan	<b>274,815</b>	358,569
The United States of America (the "USA")	<b>85,750</b>	–
Europe	<b>38,001</b>	–
Hong Kong	<b>27,183</b>	16,381
Others	<b>7,255</b>	15,473
Total	<b>433,004</b>	<b>390,423</b>

### **Major products**

Womenswear	<b>269,261</b>	327,228
Menswear	<b>74,759</b>	63,195
Kidswear	<b>88,984</b>	–
Total	<b>433,004</b>	<b>390,423</b>

### *Timing of revenue recognition*

For the years ended 31 March 2019 and 2018, all revenues were recognised at a point in time.

### *Sales of garments*

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

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 5. OTHER INCOME

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Sample sales income	<b>1,250</b>	1,239
(Loss) gain on exchange difference, net	<b>(595)</b>	702
	<b>655</b>	<b>1,941</b>

## 6. SEGMENT INFORMATION

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

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

### Geographical information:

All revenue for the years ended 31 March 2019 and 2018, were revenue derived from contracts with customers, the geographical information of revenue could be referred to note 4 to the consolidated financial statements in this announcement.

### Geographical markets

	Non-current assets*	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	<u>3,537</u>	<u>1,680</u>

\* *In presenting the geographical information about the Group's non-current assets, deferred tax asset is excluded.*

### Revenue from major customers:

Revenue from customers individually contributed over 10% of the total revenue of the Group for each of the two years ended 31 March 2019 are as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A*	134,846	–
Customer B	131,831	197,041
Customer C	53,454	46,333
Customer D	<u>47,489</u>	<u>57,696</u>

\* *This is a new customer for the year ended 31 March 2019.*

## 7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Current tax:</b>		
Hong Kong Profits Tax		
– Current year	5,216	3,361
– Over-provision in prior years	–	(41)
Enterprise Income Tax (the “EIT”) of People’s Republic of China (the “PRC”)		
– Current year	90	10
– Over-provision in prior year	–	(109)
	<u>5,306</u>	<u>3,221</u>
Deferred tax expense	183	4
	<u>5,489</u>	<u>3,225</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2018.

For the year ended 31 March 2019, Hong Kong Profits Tax is calculated under two-tier profits tax system under first HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and remaining estimated assessable profits is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

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

According to the EIT Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

No provision for Japan corporate income tax has been made for the years ended 31 March 2019 and 2018 as the Group did not generate any assessable profits during the year.

The Group is subject to national corporate income tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the years ended 31 March 2019 and 2018.

The reconciliation between the income tax expense and the profit before tax is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before tax	<u>32,723</u>	<u>17,309</u>
Tax at Hong Kong Profits tax rate of 8.25% (2018: Nil)	165	–
Tax at Hong Kong Profits tax rate of 16.5% (2018: 16.5%)	5,069	2,856
Tax effect of expenses not deductible and income not taxable for tax purpose	335	569
Tax effect of tax loss not recognised	3	18
Over-provision in prior years	–	(150)
Tax effect of profit under tax concessions	(40)	(60)
Effect of difference in tax rate of a subsidiary operating in another jurisdiction	<u>(43)</u>	<u>(8)</u>
Income tax expense	<u><u>5,489</u></u>	<u><u>3,225</u></u>

## 8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
– Salaries and other benefits	22,877	23,552
– Retirement benefit scheme contributions	<u>897</u>	<u>935</u>
	<u>23,774</u>	<u>24,487</u>
Auditor's remuneration	500	450
Depreciation	1,084	998
Net foreign exchange loss (gain)	595	(702)
Cost of inventories sold	349,535	325,955
Operating lease charges	1,777	1,252
Commission expenses (included in selling and distribution expenses)	4,339	2,274
Sample charges (included in selling and distribution expenses)	<u><u>8,667</u></u>	<u><u>6,163</u></u>

## 9. DIVIDEND

The final dividend proposed after 31 March is not recognised as a liability at 31 March as it had not been approved by the Shareholders.

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Proposed final dividend of 1.6 HK cents (2018: 1.5 HK cents) per ordinary share of the Company	<u><b>8,000</b></u>	<u>7,500</u>

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$27,234,000 (2018: approximately HK\$14,084,000) and the weighted average number of ordinary shares of 500,000,000 (2018: 479,452,055) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2019 and 2018.

## 11. TRADE AND BILLS RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	<b>9,237</b>	6,563
Bills receivables	<u><b>14,031</b></u>	<u>2,656</u>
	<u><b>23,268</b></u>	<u>9,219</u>

No allowance for bad and doubtful debt was provided for the years ended 31 March 2019 and 2018 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

For long-term customers with good credit quality and payment history, the Group allows an average credit period from 30 to 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
1 – 30 days	20,122	7,865
31 – 60 days	28	917
61 – 90 days	3,076	332
Over 90 days	42	105
	<u>23,268</u>	<u>9,219</u>

## 12. TRADE AND OTHER PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	25,554	22,855
Accrued subcontracting charges	513	626
Accrued staff costs	528	601
Accrued expenses	1,368	1,657
Other payables	1,051	1,145
	<u>29,014</u>	<u>26,884</u>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
1 – 30 days	18,193	6,760
31 – 60 days	4,430	14,872
61 – 90 days	2,062	180
Over 90 days	869	1,043
	<u>25,554</u>	<u>22,855</u>

### 13. SHARE CAPITAL

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017	39,000,000	390
Increase in authorised share capital ( <i>Note (i)</i> )	961,000,000	9,610
<b>At 31 March 2018 and 2019</b>	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>
Issued and fully paid:		
At 1 April 2017	9,000	–
Issuance of shares ( <i>Note (ii)</i> )	125,000,000	1,250
Issuance of shares by capitalisation of share premium account ( <i>Note (ii)</i> )	374,991,000	3,750
<b>At 31 March 2018 and 2019</b>	<b><u>500,000,000</u></b>	<b><u>5,000</u></b>

*Notes:*

- (i) 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.
- (ii) On 31 May 2017, 125,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.50 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

### INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and the USA, which their products are marketed and sold under their own brands. The Group does not possess its own label. 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.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017 (the "**Listing**" and the "**Listing Date**") by way of share offer (the "**Share Offer**"). The Group raised the net proceeds (the "**Net Proceeds**") from the Share Offer of approximately HK\$35.9 million after deducting all the relevant commission and expenses in relation to the Listing. The Net Proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" of the prospectus (the "**Prospectus**") of the Company dated 16 May 2017.

### BUSINESS REVIEW

The Group recorded revenue of approximately HK\$433.0 million for the year ended 31 March 2019, representing an increase of approximately 10.9% as compared to the amount of approximately HK\$390.4 million for the corresponding period last year. The increase in the Group's revenue for the year ended 31 March 2019 was mainly attributable to the change of customer mix as the Group solicited a significant new customer (the "**New Customer**") based in the USA which contributed approximately 31.1% of the Group's total revenue for the year ended 31 March 2019. The Group's gross profit for the year ended 31 March 2019 amounted to approximately HK\$83.5 million (for the year ended 31 March 2018: approximately HK\$64.5 million). The Group's gross profit margins increased to approximately 19.3% for the year ended 31 March 2019 from approximately 16.5% for the year ended 31 March 2018. Such increase in the Group's gross profit margins was mainly attributable to (i) the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group and (ii) the expansion of the customer mix as aforementioned. The Group's total comprehensive income attributable to owners of the Company increased significantly from approximately HK\$14.2 million for year ended 31 March 2018 to approximately HK\$27.1 million for the year ended 31 March 2019, representing a significant increase of approximately HK\$12.9 million or approximately 90.8%. Such significant

increase was mainly attributable to the increase in the Group's revenue and the overall increase in its gross profit margins as aforementioned. Despite the continuing challenges of the global economies and the trading environment, the Group was able to strengthen and diversify its customers' base by securing the New Customer outside the Japan market.

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 is able to display and promote more sample products to customers and to respond to customers' demands in a more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image to the existing and potential customers.

## FINANCIAL REVIEW

### Revenue

During the year ended 31 March 2019, in addition to the sales of womenswear and menswear products, the Group expanded its product mix to include sales of kidswear products. The Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 62.2% of the Group's total revenue for the year ended 31 March 2019. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2019:

	Year ended 31 March				Rate of change %
	2019		2018		
	HK\$'000	%	HK\$'000	%	
Womenswear	269,261	62.2	327,228	83.8	(17.7)
Menswear	74,759	17.3	63,195	16.2	18.3
Kidswear	88,984	20.5	–	–	–
Total	<u>433,004</u>	<u>100.0</u>	<u>390,423</u>	<u>100.0</u>	10.9

During the year ended 31 March 2019, the sales volume of the Group amounted to approximately 6.8 million pieces of finished knitwear products. Set out below are the total sales quantities of each product category for each of the two years ended 31 March 2019:

	Year ended 31 March				Rate of change %
	2019		2018		
	Pieces ('000)	%	Pieces ('000)	%	
Womenswear	4,395	64.6	6,055	85.8	(27.4)
Menswear	1,058	15.6	1,001	14.2	5.7
Kidswear	1,349	19.8	–	–	–
Total	<u>6,802</u>	<u>100.0</u>	<u>7,056</u>	<u>100.0</u>	(3.6)

The selling price of each of the product category 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 prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2019:

	Year ended 31 March		
	2019	2018	Rate of change %
	Average selling price <sup>(Note)</sup> HK\$	Average selling price <sup>(Note)</sup> HK\$	
Womenswear	61.3	54.0	
Menswear	70.7	63.1	12.0
Kidswear	<u>66.0</u>	<u>–</u>	–
Overall average selling price per piece	<u>63.7</u>	<u>55.3</u>	15.2

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

The Group's revenue increased by approximately 10.9%, or approximately HK\$42.6 million, from approximately HK\$390.4 million for the year ended 31 March 2018 to approximately HK\$433.0 million for the year ended 31 March 2019. The increase in revenue was primarily attributable to the expansion of product mix to kidswear products with substantial sales volume and the increase in an average selling price per piece of both womenswear and menswear products, which in aggregate mitigated the substantial decrease in sales volume of womenswear products for the year ended 31 March 2019.

### ***Womenswear***

During the year ended 31 March 2019, the Group's revenue was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products decreased by approximately HK\$57.9 million or approximately 17.7% from approximately HK\$327.2 million for the year ended 31 March 2018 to approximately HK\$269.3 million for the year ended 31 March 2019. Such decrease was mainly attributable to the decrease in sales quantity from approximately 6.1 million pieces for the year ended 31 March 2018 to approximately 4.4 million pieces for the year ended 31 March 2019, which outweighs the increase in average selling price per piece from approximately HK\$54.0 for the year ended 31 March 2018 to approximately HK\$61.3 for the year ended 31 March 2019.

### ***Menswear***

The Group's revenue derived from the sales of menswear products increased by approximately HK\$11.6 million or approximately 18.3%, from approximately HK\$63.2 million for the year ended 31 March 2018 to approximately HK\$74.8 million for the for the year ended 31 March 2019. Such increase was mainly attributable to the increase in average selling price per piece from approximately HK\$63.1 for the year ended 31 March 2018 to approximately HK\$70.7 for the year ended 31 March 2019 and the slight increase in sales volume of menswear products from approximately 1.0 million pieces for the year ended 31 March 2018 to approximately 1.1 million pieces for the year ended 31 March 2019.

### ***Kidswear***

During the year ended 31 March 2019, the Group further expanded its product mix to include sales of kidswear products. The revenue derived from kidswear products amounted to approximately HK\$89.0 million and accounted for approximately 20.5% of the total revenue of the Group for the year ended 31 March 2019.

## **Cost of sales**

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges. The cost of sales increased to approximately HK\$349.5 million for the year ended 31 March 2019 from approximately HK\$326.0 million for the year ended 31 March 2018, representing an increase of approximately 7.2%. The increase of the Group's cost of sales was in line with the increase in the Group's revenue of approximately 10.9% for the year ended 31 March 2019.

## **Gross profit and gross profit margins**

The Group's gross profit significantly increased to approximately HK\$83.5 million for the year ended 31 March 2019 from approximately HK\$64.5 million for the year ended 31 March 2018, representing an increase of approximately 29.5%. The Group's gross profit margins increased to approximately 19.3% for the year ended 31 March 2019 from approximately 16.5% for the year ended 31 March 2018. The increase in the Group's gross profit and the gross profit margins was mainly attributable to (i) the expansion of the customer mix as the Group solicited the New Customer from which the revenue derived from accounted for approximately 31.1% of the Group's total revenue for the year ended 31 March 2019; and (ii) the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group. During the year ended 31 March 2019, the Group endeavoured to improve its gross profit margins whilst offering satisfactory supply chain management total solutions to its customers.

## **Interest income**

The Group's interest income increased by approximately HK\$0.2 million or approximately 66.7% from approximately HK\$0.3 million for the year ended 31 March 2018 to approximately HK\$0.5 million for the year ended 31 March 2019.

## **Other income**

Other income mainly consists of sample sales income and exchange gain/loss. The Group's other income decreased to approximately HK\$0.7 million for the year ended 31 March 2019 from approximately HK\$1.9 million for the year ended 31 March 2018, representing a decrease of approximately 63.2%. The decrease was mainly attributable to the Group recorded an exchange loss of approximately HK\$0.6 million for the year ended 31 March 2019 as compared to the exchange gain of approximately HK\$0.7 million for the year ended 31 March 2018. The exchange loss was mainly due to the foreign exchange loss arising from 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 and distribution expenses increased to approximately HK\$27.8 million for the year ended 31 March 2019 from approximately HK\$23.5 million for the year ended 31 March 2018, representing an increase of approximately 18.3%. Such increase in the Group's selling and distribution expenses was mainly attributable to the increase in commission 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\$24.0 million for the year ended 31 March 2019 from approximately HK\$23.1 million for the year ended 31 March 2018, representing a slight increase of approximately 3.9%. Such slight increase was mainly attributable to the increase in administrative expenses incurred in respect of the opening of the office as well as showroom in Japan.

## **Listing expenses**

There was nil non-recurring listing expenses recognised for the year ended 31 March 2019 as compared to approximately HK\$2.6 million of non-recurring listing expenses recognised for the year ended 31 March 2018.

## **Finance costs**

The Group's finance costs decreased by approximately HK\$0.1 million or 50.0% from approximately HK\$0.2 million for the year ended 31 March 2018 to approximately HK\$0.1 million for the year ended 31 March 2019, which was primarily due to a decrease in interest expenses on the Group's bank borrowings for the year ended 31 March 2019.

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

Total comprehensive income attributable to owners of the Company amounted to approximately HK\$27.1 million for the year ended 31 March 2019, representing an increase of approximately 90.8% from approximately HK\$14.2 million for the year ended 31 March 2018. If the non-recurring listing expenses of approximately HK\$2.6 million for the year ended 31 March 2018 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2019 would have been increased by approximately 61.3% as compared to the adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2018 of approximately HK\$16.8 million.

## **BASIC EARNINGS PER SHARE**

The Company's basic earnings per share for the year ended 31 March 2019 was approximately 5.5 HK cents (2018: approximately 2.9 HK cents), representing an increase of approximately 2.6 HK cents, or approximately 89.7%, which is in line with the profit for the year attributable to the owners of the Company, as compared to the year ended 31 March 2018.

## **FINAL DIVIDEND**

The Directors recommended the payment of a final dividend of 1.6 HK cents per share for the year ended 31 March 2019 (2018: 1.5 HK cents) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 21 August 2019. The proposed final dividend, subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") to be held on Tuesday, 13 August 2019, will be paid on or about Wednesday, 11 September 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2019, the Group's operations were generally financed through its internally generated cash flows, the Net Proceeds and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2019 and 2018, the Group had net current assets of approximately HK\$108.7 million and HK\$90.9 million, respectively, including bank and cash balances of approximately HK\$77.7 million and HK\$83.4 million, respectively. The Group's current ratio increased slightly from approximately 4.3 as at 31 March 2018 to approximately 4.4 as at 31 March 2019. Such slight increase was mainly as a result of an increase in trade and bills receivables, prepayments, deposits and other receivables during the year ended 31 March 2019.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and finance lease payable) divided by total equity at the respective reporting date. As at 31 March 2019 and 2018, the Group's gearing ratio was nil, respectively, as there were full repayment of bank borrowings and the amount of finance lease payable is relatively insignificant for both years. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances, and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 March 2019, the Group had concentration of credit risk approximately 88.0% (2018: approximately 52.0%) of the total trade and bills receivables due from the Group's five largest customers. The Group normally grants an average credit period of 30 to 90 days to these customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

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

## COMMITMENTS

The Group's contractual commitments were primarily related to the leases of its office premises. As at 31 March 2019 and 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>As at 31 March</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,728</b>	1,597
In the second to fifth year inclusive	<b>2,200</b>	497
Total	<b><u>3,928</u></b>	<u>2,094</u>

As at 31 March 2019, the Group did not have any significant capital commitments (31 March 2018: Nil).

## **CAPITAL STRUCTURE**

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

As at 31 March 2019, the Company's issued share capital amounting to HK\$5.0 million divided by 500,000,000 shares of HK\$0.01 each.

Details of changes in the Company's share capital for the year ended 31 March 2019 are set out in note 13 to the consolidated financial statements in this announcement.

## **SIGNIFICANT INVESTMENTS**

As at 31 March 2019 and 2018, the Group did not hold any significant investments.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the year ended 31 March 2019, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

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

## PLEDGE OF ASSETS

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

	<b>As at 31 March</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Pledged bank deposits	<b><u>14,925</u></b>	<u>15,864</u>

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 61 full-time employees (31 March 2018: 75). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2019 and 2018, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$23.8 million and HK\$24.5 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that 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 of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. Share options may also be granted to the Directors and senior management under the share option scheme.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019, the Group mainly carries out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC.

## **ENVIRONMENTAL POLICY**

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

## **RELATIONSHIPS WITH STAKEHOLDERS**

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 1 to 16 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement between the employees, the customers and the suppliers of the Group.

## **USE OF PROCEEDS**

The shares of the Company were successfully listed on GEM of the Stock Exchange on the Listing Date. The Group raised the Net Proceeds of approximately HK\$35.9 million which was lower than the estimated amount as stated in the Prospectus. The Net Proceeds is intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus for the period from the Listing Date to 31 March 2020. Consequently, the Group adjusted the Net Proceeds in the same manner and in the same proportion as stated in the Prospectus.

The following table sets forth an analysis of the utilisation of Net Proceeds during the year ended 31 March 2019:

	<b>Adjusted planned use of Net Proceeds as stated in the Prospectus up to 31 March 2019 <i>HK\$ million</i></b>	<b>Actual use of Net Proceeds up to 31 March 2019 <i>HK\$ million</i></b>
Strengthening and diversifying the Group's customers base	3.1	3.1
Further expanding the Group's product mix to cater to the customers' need	6.7	6.6
Enhancing the Group's design and development capabilities	5.4	5.5
Enhancing the Group's inventory management to strengthen operational efficiency	9.4	9.5
	<u>24.6</u>	<u>24.7</u>
Total	<u><u>24.6</u></u>	<u><u>24.7</u></u>

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

As at 31 March 2019, approximately HK\$24.7 million out of the Net Proceeds had been used. The unutilised Net Proceeds are deposited in licensed banks in Hong Kong.

## **FUTURE PROSPECTS**

The Group expects the coming year to remain challenging due to keen competition within the industry and the trade war between the PRC and the USA. The Group will continue to develop and create more promotion samples for further expansion of the Group's product variety to cater to the existing and potential customers' needs.

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

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

## **OTHER INFORMATION**

### **Corporate Governance Practices**

The Board recognises that the transparency and accountability are important to a listed company. As such, the Company is committed in 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 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 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.

During the reporting period, the Group has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules save as the deviation from the code provision A.2.1 of the CG Code. 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 the business developments 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 for the year ended 31 March 2019.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2019.

## **Directors' Interests in Competing Businesses**

During the year ended 31 March 2019, none of the Directors or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

## **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.

## **Events After the Reporting Period**

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this announcement.

## **Closure of Register of Members**

For determining Shareholders' entitlement to attend and vote at the AGM, the transfer books and the register of members of the Company will be closed from Thursday, 8 August 2019 to Tuesday, 13 August 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to establish the right to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 7 August 2019.

For determining the entitlement of the proposed final dividend, the transfer of books and the register of members of the Company will be closed from Monday, 19 August 2019 to Wednesday, 21 August 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 16 August 2019.

## **Audit Committee**

The audit committee (the “**Audit Committee**”) of the Company was established in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company’s financial information; (ii) overseeing the Group’s financial reporting system, risk management and internal control systems; (iii) reviewing and monitoring the effectiveness of the scope of audit; and (iv) making recommendations to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this announcement and the audited consolidated results of the Group for the year ended 31 March 2019.

## **Scope of Work of Zhonghui Anda CPA Limited**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the annual results announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by The Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the annual results announcement.

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

Hong Kong, 10 June 2019

*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.*