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The Board noted that the price of the Shares has been volatile and may continue to be volatile. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.



SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 3860)

(Stock code on GEM: 8183)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor to the Company



KGI Capital Asia Limited

Financial adviser to the Company



On 16 July 2019, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) the 500,000,000 Shares in issue; and (ii) any Shares which may be issued upon exercise of any shares options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 2 December 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM. The last day of dealings in the Shares on GEM (stock code on GEM: 8183) will be 11 December 2019. It is expected that dealings in the Shares on the Main Board (stock code on the Main Board: 3860) will commence at 9:00 a.m. on 12 December 2019. As at the date of this announcement, the Board confirms that all the applicable pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English or Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement of the Company made on 16 July 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 16 July 2019, an application was made by the Company to the Stock Exchange in relation to the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, (i) the 500,000,000 Shares in issue; and (ii) any Shares which may fall to be issued upon exercise of any shares options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 2 December 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM. As at the date of this announcement, the Board confirms that all the applicable pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (stock code on GEM: 8183) will be 11 December 2019. It is expected that dealings in the Shares on the Main Board (stock code on the Main Board: 3860) will commence at 9:00 a.m. on 12 December 2019.

REASONS FOR THE PROPOSED TRANSFER OF LISTING

The issued Shares have been listed and traded on GEM since 31 May 2017. The Group is principally engaged in the apparel supply chain management services selling knitwear apparel products to its customers. There has been no material change in the Company's business model, regulatory environment and industry landscape since the GEM Listing and up to the Latest Practicable Date.

The Directors consider that Main Board is a premier board on the Stock Exchange and the Transfer of Listing will increase attractiveness of Shares to investors, broaden the Company's investor base and attain higher trading liquidity for Shares, which is beneficial to the Company for its continued growth, financing flexibility and business development, and is in the overall interest of the Company and will create a long-term value to its Shareholders as a whole. In addition, the Board also believes that the Transfer of Listing will:

- enhance the profile and promote market recognition of the Company among public investors, its existing and potential customers (such as large apparel brands and sourcing agents of apparel brands) which will, in turn, have positive impact on its business developments and strengthen the confidence of its stakeholders;
- reinforce confidence of existing and potential customers and suppliers in financial strength, corporate governance and credibility of the Group because in general, Main Board is perceived to be a more advanced status for listed companies and has more stringent requirements for listing than GEM. This could be an advantage for the Group when negotiating terms for its sales and purchases; and
- promote corporate image of the Company; as such, it would be easier to retain and recruit experienced staff as well as to attract new customers.

As at the date of this announcement, the Board does not contemplate any material change in the nature of the business of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALING IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 31 May 2017, being the GEM Listing Date. Subject to continuing compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code on GEM: 8183) will be 11 December 2019. Dealings in the Shares on the Main Board (stock code on the Main Board: 3860) will commence at 9:00 a.m. on 12 December 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in the board lot of 5,000 Shares each and are traded in Hong Kong Dollars. The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English or Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 8 May 2017 and took effect on the GEM Listing Date for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and for such other purposes as the Board may approve from time to time. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants, including, among others, the Group's executive directors, non-executive directors, independent non-executive directors, advisors, consultants and employees of the Company or any of its subsidiaries, entitling them to subscribe for Shares in accordance with the terms of the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the effective date, being 50,000,000 Shares, unless further Shareholders' approval is obtained in a general meeting.

The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

The listing of the Shares to be issued pursuant to the exercise of any options under the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules. As at the date of this announcement, no share option has been granted since the adoption of the Share Option Scheme and there were no share option outstanding, and the Company has not issued any options, warrants or similar rights or convertible equity securities which will be transferred to the Main Board as at the date of this announcement.

SHARE PRICE VOLATILITY

The Shares have been listed on GEM by way of share offer since 31 May 2017. The offer price was HK\$0.50 per Share. The highest closing price and lowest closing price at which the Shares have been traded on GEM since 31 May 2017 and up to the Latest Practicable Date was HK\$0.710 per share (22 June 2018) and HK\$0.395 per share (11 August 2017, 30 August 2017, 7 September 2017, 19 September 2017 and 25 September 2017), respectively. During the aforesaid period, the closing price per Share had risen by a maximum of approximately 42.0% (by comparing the placing price and the highest closing price) and decreased to a minimum by approximately 21.0% (by comparing the placing price and the lowest closing price).

The chart below sets out the daily stock price movement and trading volume since GEM Listing:



Note: 77,725,000 Shares were traded on 31 May 2017, the first day of GEM Listing

The Board noted that the price of the Shares has been volatile and may continue to be volatile. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 13 August 2019 to the Directors to (i) issue and allot new Shares; (ii) repurchase Shares; and (iii) extend the general mandate granted to the Directors to issue Shares by amount of Shares repurchased by the Shareholders, will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
- (c) the revocation or variation of such authority under the resolution by an ordinary resolution of the Shareholders in general meeting.

PUBLIC FLOAT

The Directors confirm that (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the minimum 25% public float requirement under Rule 8.08 of the Main Board Listing Rules has been fulfilled.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, the Controlling Shareholders or their respective associates has any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to the Main Board Listing Rules.

PUBLICATION OF FINANCIAL RESULTS AND FINANCIAL REPORT

The annual results announcement and the annual report of the Company for the year ended 31 March 2019 were published on 10 June 2019 and 19 June 2019, respectively. The first quarterly results announcement and the first quarterly report for the three months ended 30 June 2019 were published on 9 August 2019 and 13 August 2019, respectively. The interim results announcement and the interim report for the six months ended 30 September 2019 were published on 11 November 2019 and 13 November 2019, respectively. Please refer to the above published documents for details.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the date of this announcement.

PRINCIPAL ACTIVITIES AND BUSINESS UPDATE OF THE GROUP

The Group has not changed its principal businesses since its listing on GEM on 31 May 2017. The Group is principally engaged in apparel supply chain management services selling knitwear apparel products to its customers. 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. Please refer to the paragraph headed “Key Financial Information – Revenue” below for the breakdown of the Group’s revenue by product category and by geographical locations during the Track Record Period.

During the Track Record Period, all knitwear products were produced by third-party manufacturers engaged by the Group. The Group has maintained an established relationship with a number of third-party manufacturers and implemented quality control procedures throughout the production process. The Group’s merchandising department closely liaises with and provides technical advice to third-party manufacturers at various stages of the production process. For certain customers, final quality inspection is performed by a third-party inspection centre before packaging for delivery to ensure the quality of the knitwear products conforms to their specifications.

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 and/or designs recommended or inspired by the Group. To focus the Group’s resources on the provision of apparel supply chain management services, the Group does not own or operate any manufacturing operations. Instead, the Group will outsource the labour intensive manufacturing process to third-party manufacturers with manufacturing operations mainly in the PRC and Thailand. The Group generally liaises with its Hong Kong office to obtain the quotations and to finalise purchase orders.

As part of the apparel supply chain management services, the Group will ensure that appropriate logistics are arranged for the delivery of the finished products to the customers. The third-party manufacturers engaged by the Group will either arrange for the delivery of the finished products to Hong Kong warehouse before they are transferred to the designated forwarder of the Group’s customers, or directly deliver the finished products to the designated forwarder appointed by the Group’s customers.

The Group usually determines the price on a cost-plus basis and prices are generally quoted in US\$. The Group will generally take into consideration the costs of raw material, the size of the order, the complexity of the product design, the production costs as quoted by third-party manufacturers, and the estimated time required as factors in determining the prices of the Group’s products. In view of the different budgets of different customers, the Group will generally provide designs or recommendations that are tailored to the specific customer’s budget and preferences.

Recent development

Japanese market

The Group has set up a showroom and office in Japan in first half of 2018, which allows the Group to be able to display and promote more sample products to its existing customers and respond to local customers’ demands in a more efficient and effective manner, to create more business opportunities and further strengthen the corporate image of the Group to the existing and potential customers in Japan. Please refer to “Business outlook and the apparel industry” for the expected moderate growth of the apparel retail market in Japan from 2019 to 2023.

In view of the opening of the new showroom in Japan and the long business relationship with major customers in Japan as illustrated in the paragraph headed “Top five customers”, the Directors are of the view that the Group should have no difficulty to capture the growth of existing and new customers in Japan. Nonetheless, the Group intends to accept orders that can contribute higher gross profit margin to the Group which may involve customers in Japan and/or other countries.

New customer in the U.S.

During the year ended 31 March 2019, the Group expanded its products variety to include kidswear products in addition to its womenswear and menswear products. Further, despite global economic uncertainties arisen from the tariff trade war (the “**Trade War**”) between the United States and China, the Group solicited a new customer (“**Customer G**”), an international apparel brand with headquarter in the United States, through an independent fashion brands sourcing agent based in Hong Kong, which is in line with the Group’s strategy to strengthen and diversify its customers base. The sourcing agent belongs to a group of companies which specialises in sourcing, product development and supply chain management of apparel, accessories and home products for export to North America, Central America, South America and Europe. The Company became acquainted with this sourcing agent at an exhibition held in Hong Kong in 2018.

The below table sets forth the revenue, average selling price and sales quantities attributable to Customer G by each product category for the year ended 31 March 2019 and six months ended 30 September 2019, respectively:

	Year ended 31 March 2019			Six months ended 30 September 2019		
	Revenue <i>HK\$’000</i>	Average Selling Price <i>HK\$</i>	Number of pieces	Revenue <i>HK\$’000</i>	Average Selling Price <i>HK\$</i>	Number of pieces
Womenswear	29,941	78.0	383,848	91,239	64.9	1,405,618
Menswear	25,539	90.9	280,966	34,480	56.7	608,642
Kidswear	79,366	64.3	1,233,361	27,767	54.1	513,463
	<u>134,846</u>	<u>71.0</u>	<u>1,898,175</u>	<u>153,486</u>	<u>60.7</u>	<u>2,527,723</u>

Revenue attributable to Customer G for products that were manufactured in the PRC amounted to approximately HK\$134.5 million and approximately HK\$153.5 million, representing approximately 31.1% and approximately 50.7% of total revenue for the year ended 31 March 2019 and the six months ended 30 September 2019, respectively. Based on purchase orders received from Customer G with shipping dates in October 2019, the Group’s revenue attributable to Customer G is estimated to be around HK\$38.7 million, representing approximately 57.9% for the total revenue of the Group for October 2019, of which approximately HK\$26.7 million would be sold to Customer G in the U.S.

The below table sets forth the gross profit margin comparison between customer G and other customers.

	Year ended 31 March 2019	Six months ended 30 September 2019 (unaudited)
Customer G	25.2%	21.0%
Other customers of the Group (on average)	16.6%	14.3%

For the year ended 31 March 2019, the gross profit margin attributable to Customer G was higher than the average of the other customers of the Group mainly due to the kidswear products sold to Customer G contributed a higher gross profit margin. The gross profit margin attributable to both Customer G and other customers for six months ended 30 September 2019 decreased, comparing to the year ended 31 March 2019, mainly because of (i) the Group in general charged a lower price on the spring and summer knitwear products as compared to the autumn and winter knitwear products; (ii) Customer G only started generating revenue to the Group in August 2018; as such, there was no sales of spring and summer knitwear products to Customer G in earlier months of the year ended 31 March 2019; and (iii) the six-months period ended 30 September 2019 has not yet reflected subsequent sales of autumn and winter knitwear products in the year ending 31 March 2020. According to the Directors, the Group used to charge lower price on the spring and summer knitwear products mainly because in general, less yarn will be required for production and the cost of yarn will also be lower for producing spring and summer knitwear products due to lower composition of wool and/or acrylic, if any as compared with that of the autumn and winter knitwear products. Frost & Sullivan confirmed that this is a normal business practice.

Trade War

The United States Trade Representative (the “USTR”) announced the fourth list of Chinese products subject to tariffs under Section 301 of the Trade Act of 1974. The USTR split the list into two parts – List 4A and List 4B. For articles on List 4A, the tariff went into effect on 1 September 2019. For articles on List 4B, the tariff will come into effect on 15 December 2019. Goods on List 4A and List 4B face a tariff of 15%. The majority of the Group’s products exported to the U.S. were manufactured in the PRC and a small quantity of which were manufactured in Cambodia. As those products manufactured in the PRC fall under List 4A, they have been subject to a tariff of 15% since 1 September 2019 and such tariff is borne by Customer G. The Group’s products sold to the U.S. had not been subject to any tariff prior to 1 September 2019. Following a two day meeting on 10 to 11 October 2019 in Washington DC, the U.S. President Donald Trump announced that negotiators from the U.S. and the PRC had reached a “Phase 1” agreement that will take several weeks to finalise. As part of the Phase 1 agreement, the PRC will reportedly purchase US\$40 to 50 billion in U.S. agricultural products annually, strengthen intellectual property provisions and issue new guidelines on how it manages its currency. President Trump also announced that the U.S. would delay a tariff increase scheduled to go into effect on 15 October 2019. The delay will apply to tariffs that were scheduled to increase to 30% on US\$250 billion of Chinese goods. The delay appears to be an extension of a previous tariff increase delay – from 1 October 2019 to 15 October 2019 – for tariffs

that were scheduled to increase from 25% to 30%. For details of the Trade War, please refer to the paragraph headed “Material Risks Associated With the Group’s Business” below. As at the Latest Practicable Date, the U.S. did not impose tariff on goods imported from Cambodia and Thailand.

The Group had conducted business with other customers in the U.S. prior to the Track Record Period, and will continue to conduct more promotional activities and create more promotion samples for further expansion of the Group’s product variety to cater to the existing and potential customers’ needs, including but not limited to those in the U.S. market.

In relation to the sales to Customer G, the Group mainly settled payments with suppliers in the PRC in Hong Kong dollars while the manufacturing and/or raw material costs incurred by such suppliers are presumably denominated in RMB. The Directors confirmed that Customer G has not requested the Group to reduce the selling price of items produced in the PRC or indicated reduction in orders in light of the tariff borne by Customer G. In the event that Customer G requests to transfer the burden of the tariff to the Group, the Directors are of the view that the Group has leverage over its suppliers since the Group could shift to source from suppliers with factories located outside the PRC, such as in Cambodia and Thailand, or from other suppliers in the PRC which can offer lower pricing to the Group.

Nevertheless, in order to mitigate the risks resulting from the Trade War, including possible loss of Customer G and possible lowering of the average selling price to customers in the U.S, the following steps are considered to be taken by the Group: (i) continuing and/or expanding business relationship with third-party manufacturers having manufacturing operations outside the PRC, such as Thailand and Cambodia; and (ii) identifying potential apparel manufacturers outside the PRC which could be accepted by Customer G as approved suppliers. During the Track Record Period, the Group’s subcontractors in the PRC and Cambodia had supplied products to Customer G.

Locations of products manufacturing

During the Track Record Period, the majority of the Group's knitwear products were manufactured in PRC. The below table sets forth the amount of the Group's revenue by manufacturing locations for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000 (unaudited)	% of revenue
PRC	321,855	74.8	279,319	71.6	314,548	72.6	165,429	83.5	224,898	74.3
Thailand	107,313	25.0	106,734	27.3	93,448	21.6	28,813	14.5	71,628	23.7
Cambodia	962	0.2	4,370	1.1	25,008	5.8	3,926	2.0	6,138	2.0
Total	<u>430,130</u>	<u>100.0</u>	<u>390,423</u>	<u>100.0</u>	<u>433,004</u>	<u>100.0</u>	<u>198,168</u>	<u>100.0</u>	<u>302,664</u>	<u>100.0</u>

For the three years ended 31 March 2017, 2018 and 2019, and the six months ended 30 September 2019, approximately 25.2%, 28.4%, 27.4% and 25.7% of the Group's products were manufactured outside the PRC, respectively. Given their extensive industry experience and knowledge, the Directors are confident that the Group will be able to identify more apparel manufacturers outside the PRC which products can suit the preference and requirements of customers including Customer G. According to the F&S Report, there is abundant supply of apparel manufacturers in ASEAN countries (such as Thailand, Cambodia, Indonesia, Malaysia, Myanmar, etc.). On this basis, the Directors consider that the Company will have no difficulty to engage more manufacturers in Thailand or other ASEAN countries for supplying products to the Group, if needed, as a contingency in the event that Customer G will transfer impact of higher tariffs on it to pricing for the Group's products.

The Directors will continue to explore opportunities for the Group's operations to further strengthen and diversify the customer base of the Group, review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties, including but not limited to sourcing other subcontractors from ASEAN countries.

Business outlook and the apparel industry

The Group commissioned Frost & Sullivan Limited, an independent market research company to conduct an analysis of, and to produce a report (the "F&S Report") on the United States and Japan retail apparel industry market.

According to the F&S Report, the value chain of apparel industry, in general, is a buy driven value chain where the manufacturers are bound to follow the decisions of the buyers, i.e. brand owners, for the design, pricing and marketing of the products. For retailers and brand owners in Japan and the United States, they tend to outsource their manufacturing to the global network of contract manufacturers in developing countries, such as the PRC, Thailand and Cambodia, with competitive rates. The Group's products were mainly sold to customers in Japan and the United States.

According to the F&S Report, the key drivers for the apparel retail industry in Japan will be, amongst others, (i) the rising number of inbound tourists and their spending in Japan; (ii) the growth in online retailing which encourages purchase of apparel products; and (iii) the increasing popularity of more casual wears in Japan. Further, the consumption pattern in Japan apparel retail market has gradually shifted to the local and imported fast fashion with affordable prices. With the expected improvement of Japan's economy and increasing number of in-bound tourists, it is forecasted that the apparel retail market in Japan will experience a slight growth from approximately US\$70.8 billion in 2019 to US\$76.5 billion in 2023, representing a CAGR of approximately 1.9%.

According to the F&S Report, the key drivers for apparel retail industry in the United States will be, amongst others, (i) the growing prevalence of online shopping, (ii) the increasing disposable income of its residents; and (iii) the adoption of environmentally-friendly clothing materials as sustainability is expected to become one of the major trends. According to International Monetary Fund, the nominal GDP of the United States is forecasted to grow at a moderate CAGR 3.8% during 2019 to 2023. With the positive outlook of the domestic economy of the United States and constant demand for clothing, it is forecasted that the retail apparel market industry in the United States will experience a moderate growth from approximately US\$182.6 billion in 2019 to US\$202.5 billion in 2023, representing a CAGR of approximately 2.6%.

Major customers

The majority of the Group's customers are owners or sourcing agents of apparel retail brands based in Japan and the U.S. During the Track Record Period, the majority of the Group's products were sold to customers in Japan and the U.S. markets. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements and the customers can rely on the Group to fulfill their needs for a full spectrum of apparel supply chain management services. Over the years, the Directors believe that the Group has fostered trustworthy and reliable strategic partnerships with its customers built upon its proven track record of quality products, industry and product know-hows, market awareness, a dedicated management team and competitive pricings. The Directors believe that regular communications with the Group's customers can allow the Group to better understand their needs and requirements, which in turn will strengthen the relationships between the Group and its customers. The Group sourced and supplied its knitwear products for over 100 fashion brands during the year ended 31 March 2019.

Top five customers

For the three years ended 31 March 2017, 2018 and 2019, and the six months ended 30 September 2019, the percentage of aggregate revenue contributed by the top five customers was approximately 89.5%, 89.6%, 90.2% and 93.5%, respectively. In particular, approximately 47.9%, 50.4%, 31.1% and 50.7% of the Group's total revenue was attributable to the Group's largest customer for the three years ended 31 March 2017, 2018 and 2019, and the six months ended 30 September 2019, respectively. As at the Latest Practicable Date, the Group had maintained business relationships with its top five customers for a period ranging from about 1 to 14 years. Set out below is a breakdown of the Group's revenue by top five customers in terms of revenue contribution:

For the year ended 31 March 2017:

Rank	Customer	Revenue <i>HK\$'000</i>	Approximate % to total %
1	Customer A	206,146	47.9
2	Customer B	96,628	22.5
3	Customer C	49,846	11.6
4	Customer D	21,424	5.0
5	Customer E	10,976	2.5
	Five largest customers combined	385,020	89.5
	All other customers	45,110	10.5
	Total revenue	430,130	100.0

For the year ended 31 March 2018:

Rank	Customer	Revenue <i>HK\$'000</i>	Approximate % to total %
1	Customer A	197,041	50.4
2	Customer B	57,696	14.8
3	Customer C	46,333	11.9
4	Customer F	28,105	7.2
5	Customer D	20,638	5.3
	Five largest customers combined	349,813	89.6
	All other customers	40,610	10.4
	Total revenue	390,423	100.0

For the year ended 31 March 2019:

Rank	Customer	Revenue HK\$'000	Approximate % to total %
1	Customer G ⁽¹⁾	134,846	31.1
2	Customer A	131,831	30.4
3	Customer C	53,454	12.4
4	Customer B	47,489	11.0
5	Customer F	22,899	5.3
	Five largest customers combined	390,519	90.2
	All other customers	42,485	9.8
	Total revenue	433,004	100.0

For the six months ended 30 September 2019

Rank	Customer	Revenue HK\$'000 (unaudited)	Approximate % to total %
1	Customer G ⁽²⁾	153,486	50.7
2	Customer A	75,808	25.0
3	Customer C	23,818	7.9
4	Customer F	21,904	7.2
5	Customer B	8,026	2.7
	Five largest customers combined	283,042	93.5
	All other customers	19,622	6.5
	Total revenue	302,664	100.0

Notes:

- (1) Approximately HK\$85.8 million, HK\$38.0 million and HK\$11.0 million out of the HK\$134.8 million sales were generated from the sales to the U.S., Europe and other countries, respectively.
- (2) Approximately HK\$97.5 million, HK\$47.0 million and HK\$9.0 million out of the HK\$153.5 million sales were generated from the sales to the U.S., Europe and other countries, respectively.

All of the Group's top five customers during the Track Record Period are Independent Third Parties. To the best knowledge of the Directors, none of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors, owned more than 5.0% of the issued share capital of the Company upon the completion of Transfer of Listing) had any interest (direct or indirect) in any of the Group's top five customers during the Track Record Period. Set out below is the background information of the Group's top five customers during the Track Record Period:

Customer	Types of customers	Business activities	Headquarter location	Year(s) of business relationship with the Group	Typical payment method
Customer A ^(1 and 6)	Sourcing agent of and apparel retail brands	Wholesale of fashion apparel garments and accessories	Japan	12	Letter of credit at sight
Customer B	Sourcing agent of apparel retail brands	Textile and garments export	Japan	14	Letter of credit at sight
Customer C ⁽²⁾	Owner of apparel retail brands	Apparel and fashion accessories planning and proposal, production control, sourcing new suppliers and trading	Japan	11	Letter of credit at sight
Customer D ⁽³⁾	Owner of apparel retail brands	Retail sales of fashion apparel and accessories	Japan	9	Letter of credit at sight
Customer E ⁽⁴⁾	Sourcing agent of apparel retail brands	Wholesale and production of textiles	Japan	8	Letter of credit at sight
Customer F	Owner of apparel retail brand	Retail sales of fashion apparel garments and accessories	Japan	3	Letter of credit at sight
Customer G ⁽⁵⁾	Owner of apparel retail brand	Retail sales of fashion apparel garments and accessories	the U.S.	1	50 days by telegraphic transfer

Notes:

1. Customer A is a group of companies whose holding company is listed on the Tokyo and Nagoya Stock Exchanges.
2. Customer C is a company whose holding company is listed on the Tokyo Stock Exchange.
3. Customer D is a group of companies whose holding company is listed on the Tokyo Stock Exchange.

4. Customer E is a group of companies whose holding company is listed on the Tokyo, Nagoya, Sapporo and Fukuoka Stock Exchanges.
5. Customer G is a group of companies whose holding company listed on the New York Stock Exchange.
6. Customer A is the sourcing agent of a brand owner which also procure products through its subsidiary, namely, Customer H. The Group's sales to Customer A in relation to such brand are made principally to Japan, while the Group's sales to Customer H are made to the PRC, Hong Kong, Taiwan and Korea.
7. Apart from customers A, C, D, E, and G, none of the Company's other top five customers during the Track Record Period are listed companies or subsidiaries of listed companies.

Major suppliers

The Group's suppliers include raw material suppliers as well as third-party manufacturers. The Group engages the third-party manufacturers to manufacture knitwear products including samples and finished products. The Group has established stable and close working relationship with its top five suppliers for a period ranging from about 4 to 14 years. During the Track Record Period, the Group purchased from over 60 raw material suppliers and engaged over 20 third-party manufacturers.

The Group's major raw materials are yarn, which are mainly blended with different materials such as cotton, wool and acrylic, etc. During the Track Record Period, the Group's key raw material suppliers were mainly located in the PRC and Hong Kong. Apart from yarn, the Group also purchased other raw materials including buttons and zippers and other accessories for the knitwear products. During the Track Record Period, the purchase of raw materials amounted to approximately HK\$70.9 million, HK\$67.9 million, HK\$57.4 million and HK\$41.2 million, representing approximately 20.8%, 21.7%, 16.9% and 15.7% of the Group's total purchase of raw materials and subcontracting charges, respectively.

All of the Group's knitwear products are produced by third-party manufacturers with manufacturing operations mainly in the PRC and Thailand while a small portion is manufactured by third party manufacturers in Cambodia. During the Track Record Period, the subcontracting charges amounted to approximately HK\$270.1 million, HK\$244.5 million, HK\$282.2 million and HK\$221.5 million representing approximately 79.2%, 78.3%, 83.1% and 84.3% of the Group's total purchase of raw materials and subcontracting charges, respectively. The Group procures and provides the raw materials to the third-party manufacturers or requires them to source and procure raw materials for production. Majority of the finished products manufactured in the PRC are delivered to Hong Kong before shipment. For those knitwear products manufactured in Thailand, the Group typically requires the third-party manufacturers to source and procure the raw materials as specified by the customers and then directly deliver the finished products to the designated forwarder appointed by the Group's customers.

For the three years ended 31 March 2017, 2018 and 2019, and the six months ended 30 September 2019, the percentage of total purchase of raw materials and subcontracting charges attributable to the top five suppliers were approximately 77.7%, 79.8%, 82.5% and 90.8%, respectively. In particular, approximately 28.0%, 39.3%, 29.9% and 46.8% of the Group's total purchase of raw materials or subcontracting charges attributable to the Group's largest suppliers for the three years ended 31 March 2017, 2018 and 2019, and the six months ended 30 September 2019, respectively. Set out below is a breakdown of the Group's purchase of raw materials and subcontracting charges by top five suppliers of the Group during the Track Record Period:

For the year ended 31 March 2017:

Rank	Supplier	Purchase of raw materials and subcontracting charges HK\$'000	Approximate % to total %
1	Supplier A	95,652	28.0
2	Supplier B	63,995	18.8
3	Supplier C	42,577	12.5
4	Supplier D	38,308	11.2
5	Supplier E	24,475	7.2
	Five largest suppliers combined	265,007	77.7
	All other suppliers	76,037	22.3
	Total purchase of raw materials and subcontracting charges	341,044	100.0

For the year ended 31 March 2018:

Rank	Supplier	Purchase of raw materials and subcontracting charges <i>HK\$'000</i>	Approximate % to total %
1	Supplier A	122,753	39.3
2	Supplier D	38,022	12.2
3	Supplier C	36,648	11.7
4	Supplier B	32,849	10.5
5	Supplier F	19,008	6.1
	Five largest suppliers combined	249,280	79.8
	All other suppliers	63,094	20.2
	Total purchase of raw materials and subcontracting charges	312,374	100.0

For the year ended 31 March 2019:

Rank	Supplier	Purchase of raw materials and subcontracting charges <i>HK\$'000</i>	Approximate % to total %
1	Supplier G	101,374	29.9
2	Supplier A	94,765	27.9
3	Supplier D	43,908	12.9
4	Supplier F	28,649	8.4
5	Supplier E	11,625	3.4
	Five largest suppliers combined	280,321	82.5
	All other suppliers	59,261	17.5
	Total purchase of raw materials and subcontracting charges	339,582	100.0

For the six months ended 30 September 2019

Rank	Supplier	Purchase of raw materials and subcontracting charges <i>HK\$'000</i> (unaudited)	Approximate % to total %
1	Supplier G	122,922	46.8
2	Supplier A	64,533	24.6
3	Supplier D	28,694	10.9
4	Supplier F	15,749	6.0
5	Supplier H	6,718	2.5
	Five largest suppliers combined	238,616	90.8
	All other suppliers	24,119	9.2
	Total purchase of raw materials and subcontracting charges	<u>262,735</u>	<u>100.0</u>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of three top five suppliers during the Track Record Period, namely, Supplier C, Supplier E and Supplier H, held 0.24%, 0.10% and 1.88% of the shareholding of the Company, respectively, as at 6 November 2019 (being the latest practicable date for ascertaining the Company's shareholding distribution). Save as disclosed, all of the Group's top five suppliers and their ultimate beneficial owners during the Track Record Period are Independent Third Parties. None of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors, owned more than 5% of the issued share capital of the Company) had any interest in any of the Group's top five suppliers during the Track Record Period.

Supplier	Types of suppliers	Principal products supplied to the Group	Location of manufacturing or trading base	Year(s) of business relationship with the Group	Typical credit terms and payment method
Supplier A	Third-party manufacturers	Knitwear apparel	Thailand ⁽¹⁾	9	30 days by telegraphic transfer
Supplier B	Third-party manufacturers	Knitwear apparel	the PRC	12	30 days by telegraphic transfer
Supplier C	Third-party manufacturers	Knitwear apparel	the PRC	14	30 days by telegraphic transfer
Supplier D	Third-party manufacturers	Knitwear apparel	the PRC	10	30 days by telegraphic transfer
Supplier E	Third-party manufacturers	Knitwear apparel	the PRC	14	30 days by cheque
Supplier F	Third-party manufacturers	Knitwear apparel	the PRC	10	30 days by cheque
Supplier G	Third-party manufacturers	Knitwear apparel	the PRC	4	60 days by cheque
Supplier H	Raw materials supplier	Yarn	Hong Kong ⁽²⁾	6	30 days by cheque

Notes:

1. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the company which operates a factory in Thailand that supplies products to Supplier A and its ultimate beneficial owners are Independent Third Parties.
2. Supplier H is based in Hong Kong. As it is a raw materials supplier, the location of manufacturing base is not applicable.
3. The Group did not enter into any long-term agreement with its top five suppliers during the Track Record Period, instead the Group generally places purchase orders with its suppliers on an order-by-order basis.

4. None of the Group's top five suppliers during the Track Record Period (i.e. Suppliers A to H) are listed companies.
5. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Group is not the sole customer of any of its top five suppliers during the Track Record Period.

MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

The Group relies on several major customers and has not enter into long-term contracts with them. This may materially and adversely affect the Group's business, prospects, financial condition and results of operations.

The Group's five largest customers, all being Independent Third Parties, are owners or sourcing agents of apparel retail brands based in Japan and the United States. The Group's top five customers in aggregate accounted for approximately 89.5%, 89.6%, 90.2% and 93.5% of the total revenue for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2019, respectively. In particular, approximately 47.9%, 50.4%, 31.1% and 50.7% of the Group's total revenue was attributable to the Group's largest customer for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2019, respectively.

During the Track Record Period and up to the Latest Practicable Date, the Group has not entered into any long-term sales contracts with its customers except a master vendor agreement with effect from November 2018 with Customer G, its largest customer of the year ended 31 March 2019.

Set out below are the major terms of the master vendor agreement entered into by the Group with Customer G:

Prior approval by Customer G for the Group to engage factory or mill	In the event that the Group sources any fabric, trim other raw material or other goods or services to be provided to Customer G from any factory or mill, each such factory or mill must have completed and submitted to Customer G the required documentation and been approved by Customer G.
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Social sustainability assessment and social sustainability policy	Factory, mill and/or subcontractor engaged by the Group will need to complete assessment of Customer G or its appointed third party before orders can be placed with Customer G.
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Customer G reserves the right to inspect and approve all production facilities of the Group and/or its subcontractors and to request proof of certification of compliance as part of Customer G's sustainability policy.

Intellectual Property

Customer G shall be the sole owner of the property relating to tor associated with all services and all goods, including but not limited, all packaging, components, material, containers and labels in connection therewith, ordered or intended to be ordered by Customer G from the Group.

Termination

Customer G may terminate this master vendor agreement without cause upon serving notice to the Group

Apart from the major terms as set out above, the master vendor agreement only sets out general terms governing sales (including but not limited to confidentiality, packaging, etc.) from the Group to such customer. Details such as delivery, price, shipment method, and payment terms are set out in purchase orders.

Although the Directors consider that the Group has established relationships with its major customers, the customers are not obligated in any way to continue to provide the Group with new business in the future at a level similar to that in the past or at all. There is no assurance that new business secured from other customers for replacement, if any, will be on commercially comparable terms. In that event, the Group's business, prospects, financial condition and results of operations may be materially and adversely affected.

The Group's financial performance could be affected by the decreasing trend of revenue from sales to customers in Japan

The Group's revenue from Japan decreased from approximately HK\$394.5 million for the year ended 31 March 2017 to approximately HK\$358.6 million for the year ended 31 March 2018 and decreased further to approximately HK\$274.8 million for the year ended 31 March 2019. Nonetheless, the Group's revenue from Japan was approximately HK\$142.0 million for the six months ended 30 September 2019, which was higher than revenue of approximately HK\$120.7 million of the corresponding period in 2018.

It is mentioned in the F&S Report that due to falling household income and stagnating population, consumer expenditure in apparel products in Japan had been declining during the past five years. From 2014 to 2018, retail sales value and volume of apparel in Japan had experienced an overall decrease at CAGRs of -0.5% and -2.3% respectively. If the demand for apparel products in Japan will not pick up and/or keep decreasing in the forthcoming years and the Group is not able to seek more sales orders from other markets on comparable terms or increase its sales to other customers in a timely manner, its financial performance will be adversely affected.

The largest customer of the Group has base of operation in the United States. Negative outcome from the Trade War may materially and adversely affect the Group's business, prospects, financial condition and results of operations.

Customer G, the largest customer of the Group for the year ended 31 March 2019, is an apparel retail brand with headquarter in the United States, which commenced business relationship with the Group since May 2018 and entered into the master vendor agreement with effect from November 2018. Approximately 31.1% and 50.7% of the Group's total revenue was contributed by this largest customer for the year ended 31 March 2019 and six months ended 30 September 2019, respectively.

It has been a year since the Trade War between the United States and China began and the Trade War has weighed on global economic sentiment and trading activities and may cause downside risks to global economic outlook. Please refer to paragraph headed "Recent development - Trade war" above for details of the recent development of the Trade War. The amicable resolution of the Trade War and the lasting impacts the Trade War may have on the United States or the global economy remain uncertain. Should the Trade War begin to materially impact the United States and the global economy, the purchase from our largest consumer based in the United States may be reduced or terminate entirely. There is no assurance that the Group will be able to secure new business from other customers for replacement.

Majority of the Group's products exported to the U.S. were manufactured in the PRC. For illustration purpose, the hypothetical analysis below sets out the impact of the increase in the U.S. additional tariffs of 15% on the Group's financial performance during the year ended 31 March 2019, assuming the tariffs would be wholly borne by the Group with no transfer of such burden to Customer G and the corresponding supplier and subcontractor of the Group.

<i>Revenue related to the US sales to Customer G</i>	<i>HK\$'000</i>
Year ended 31 March 2019	85,750
<i>Hypothetical analysis related to additional tariff of 15% to the U.S. sales to Customer G</i>	<i>HK\$'000</i>
Decrease in revenue and net profit	12,863

The Group is dependent on third parties for the production of apparel products. Any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business.

All of the apparel products the Group sourced for the customers during the Track Record Period were produced by third-party manufacturers mainly located in the PRC and Thailand. As such, the Group relies heavily on the ability and efficiency of third-party manufacturers to produce apparel products for its customers and the third-party manufacturers therefore play a vital role in the Group's apparel supply chain management services. The Group does not enter into any long-term contracts with the third-party manufacturers and the Group engages them on a case-by-case basis depending

on the needs and requirements of the customers. There is no assurance that all or any of the third-party manufacturers will continue to produce apparel products for the Group at the desired quality and quantity, in a timely manner and on commercially acceptable terms. Any disruption in the third-party manufacturers' productions may inevitably have negative impact on their ability to produce the apparel products in line with the required schedule. If any of the third-party manufacturers terminates the business relationship with the Group or if there are any changes to the current business arrangements, the Group may not be able to source stable and suitable products from comparable alternative third-party manufacturers in a timely manner or on commercially acceptable terms. Any of these events may result in production delay and would adversely affect the Group's ability to fulfil customers' orders and in turn adversely affect its sales and profitability.

Further, as the Group does not enter into any long-term contract with the third-party manufacturers, the terms of services provided by them may also be subject to fluctuations with regard to pricing, timing and quality. The Group may not be able to pass on all or any of the increase in production costs to its customers. In this event, the Group's financial performance may be materially and adversely affected. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period.

The hypothetical fluctuation rates are set at 7.5%, which is the half of the maximum fluctuation rate during the three years ended 31 March 2019, and at 15%, which is the maximum fluctuation rate for the same years to illustrate the impacts on the profit in a more extreme scenario:

Hypothetical fluctuations in subcontracting charges

	-7.5%	-15%	+7.5%	+15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before and after tax				
Year ended 31 March 2017	20,259	40,518	-20,259	-40,518
Year ended 31 March 2018	18,336	36,674	-18,336	-36,674
Year ended 31 March 2019	21,163	42,326	-21,163	-42,326
Six months ended 30 September 2018	9,456	18,912	-9,456	-18,912
Six months ended 30 September 2019	16,617	33,233	-16,617	-33,233

There are time lags between making payments to the Group's suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group's cash flow and financial position.

Management of the Company advised that in general, time lags between making payments to the suppliers and receiving payments from the customers are approximately 90 days. The Group requires sales proceeds from its customers in order to settle its trade payable to suppliers or to repay the bank borrowings in a timely manner. There is no assurance that the customers will make payments on time and in full. If the Group fails to properly manage its exposure from such cash flow mismatch or

if the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected. The Group's reputation may also be adversely affected if the Group fails to pay its suppliers on time.

The Group's sales are subject to seasonal fluctuation and hence the operating results of the Group for the certain period within a calendar year or between any interim periods may not be taken as an indication of its performance for the entire calendar year.

The Group has historically experienced and expects to continue to experience seasonal fluctuations. Generally, demand for the Group's apparel products is relatively high for winter season. As a result, customers normally place orders with the Group for winter collection in the second and third quarters of the year while the Group delivers the corresponding finished goods to customers in the second half of the calendar year. The sales generated from August to January in aggregate accounted for approximately 71.8%, 66.2% and 83.0% of the Group's total revenue during each of the three years ended 31 March 2019. Therefore, the operating results of the Group for certain period within a calendar year or between any interim periods may not be taken as an indication of its performance for the entire calendar year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of the Group's operating results.

LEGAL AND COMPLIANCE

To the best knowledge of the Directors, (i) the Group was not involved in any material litigation or arbitration proceedings pending or threatened against the Group or any of the Directors that could have a material adverse effect of the Group's business, financial condition or results of operations; (ii) as at the Latest Practicable Date, each of the subsidiaries of the Company had obtained all material licences, permits and approvals from the relevant regulatory authorities in relation to its establishment and business operations which are material to the Group's business operation; and (iii) during the Track Record Period and up to the Latest Practicable Date, the Group had complied with all the applicable laws and regulations in relation to its business operations in all material aspects.

ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group firstly adopted HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with Customers" in the financial year ended 31 March 2019. The application for HKFRS 9 and HKFRS 15 does not have significant impact on the financial position and performance of the Company when compared to that of HKAS 39 and HKAS 18.

The Group has adopted HKFRS 16 "Leases" in the accounting year beginning on 1 April 2019. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

The Group will apply this accounting model to its lease of Hong Kong office. The adoption of HKFRS 16 resulted in recognition of depreciation on the right-of-use asset and finance cost on lease liability for the reporting period starting from 1 April 2019, instead of the rental expenses under the previous HKAS 17. The adoption of HKFRS 16 did not have a material effect on the Group's financial performance. The initial adoption of HKFRS 16 did not significantly affect the financial position of the Group.

The Group has elected to apply the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the right-of-use asset at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payment recognised in the consolidate statement of financial position immediately prior to the date of initial application.

KEY FINANCIAL INFORMATION

A summary of the results of the Group during the Track Record Period, as extracted from the published consolidated statements of profit or loss and other comprehensive income is set out below.

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Revenue	430,130	390,423	433,004	198,168	302,664
Cost of sales	(362,946)	(325,955)	(349,535)	(161,346)	(249,084)
Gross profit	67,184	64,468	83,469	36,822	53,580
Interest income	15	258	486	284	79
Other (loss) income	(524)	1,941	655	(345)	774
Selling and distribution expenses	(24,101)	(23,497)	(27,789)	(11,653)	(17,660)
Administrative expenses	(21,413)	(23,130)	(23,987)	(11,302)	(11,332)
Listing or transfer of listing expenses	(11,414)	(2,580)	–	–	(2,365)
Finance costs	(669)	(151)	(111)	(60)	(83)
Profit before taxation	9,078	17,309	32,723	13,746	22,993
Income tax expense	(2,984)	(3,225)	(5,489)	(2,517)	(4,258)
Profit for the year/period	6,094	14,084	27,234	11,229	18,735
Other comprehensive (expenses) income	(64)	149	(112)	(140)	(132)
Total comprehensive income attributable to owners of the Company	<u>6,030</u>	<u>14,233</u>	<u>27,122</u>	<u>11,089</u>	<u>18,603</u>

Non-HKFRS Measure

To supplement the combined financial statements which are presented in accordance with HKFRS, the adjusted net profits as non-HKFRS measures is also presented. This measure is not required by, or presented in accordance with, HKFRS. The non-HKFRS measures facilitate comparison of operating performance from year to year by eliminating potential impact of item that is not considered to be indicative of the operating performance.

Adjusted profit for the year/period

The table below sets out the adjusted profit for the years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Profit for the year/period	6,094	14,084	27,234	11,229	18,735
Add:					
Listing or transfer of listing expenses	11,414	2,580	–	–	2,365
Adjusted profit for the year/period (unaudited) (Note)	<u>17,508</u>	<u>16,664</u>	<u>27,234</u>	<u>11,229</u>	<u>21,100</u>

Note: The adjusted profit for the respective year/period excluded non-recurring listing or transfer of listing expenses.

The transfer of listing expenses will adversely affect the Group's performance for the year ending 31 March 2020.

Revenue

The Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 81.1%, 83.8%, 62.2%, 57.6% and 66.5% of the total revenue for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively.

The Group's revenue increased by approximately 52.7%, or HK\$104.5 million, from approximately HK\$198.2 million for the six months ended 30 September 2018 to approximately HK\$302.7 million for six months ended 30 September 2019. The significant increase in revenue was primarily due to the increase in revenue of approximately HK\$87.3 million from Customer G, which has commenced business relationship with the Group since May 2018.

The Group's revenue increased by approximately 10.9%, or 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 products mix to kidswear products with substantial sales volume coupled with the increase in an average selling price of both the womenswear and menswear products, which in aggregate mitigated the large decrease in sales volume of the womenswear products to divert the Group's resources into expanding into higher gross profit margin kidswear market for the year ended 31 March 2019. The Group's sales volume of womenswear products decreased by approximately 27.4%, or 1.7 million

pieces, 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. The decrease in sales volume of womenswear products was mainly attributable to decrease in sales volume of Customer A and Customer B, of which the majority of their orders are womenswear products.

The Group's revenue decreased by approximately 9.2%, or HK\$39.7 million, from approximately HK\$430.1 million for the year ended 31 March 2017 to approximately HK\$390.4 million for the year ended 31 March 2018. The decrease in revenue was mainly attributable to the decrease in demand from existing customers and hence decrease in sales volume of the knitwear products coupled with the slight decrease in average selling price per piece of womenswear for the year ended 31 March 2018.

The following table and analysis set out the breakdown of the Group's revenue by each product category for the years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	%
Womenswear	348,948	81.1	327,228	83.8	269,261	62.2	114,172	57.6	201,143	66.5
Menswear	81,182	18.9	63,195	16.2	74,759	17.3	42,408	21.4	73,626	24.3
Kidswear	-	-	-	-	88,984 ⁽¹⁾	20.5	41,588	21.0	27,895 ⁽²⁾	9.2
Total	<u>430,130</u>	<u>100.0</u>	<u>390,423</u>	<u>100.0</u>	<u>433,004</u>	<u>100.0</u>	<u>198,168</u>	<u>100.0</u>	<u>302,664</u>	<u>100.0</u>

Notes:

1. Among the revenue from kidswear products, approximately HK\$79.4 million was from Customer G and approximately HK\$9.6 million was from other customers, representing approximately 89.2% and 10.8% of total revenue from kidswear products of the Group, respectively, for the year ended 31 March 2019.
2. Approximately 99.5% of the total revenue from kidswear products was generated from Customer G for the six months ended 30 September 2019.

The following table and analysis set out the sales quantities of each product category for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	<i>Pieces</i> '000	%	<i>Pieces</i> '000	%	<i>Pieces</i> '000	%	<i>Pieces</i> '000 (unaudited)	% (unaudited)	<i>Pieces</i> '000 (unaudited)	% (unaudited)
Womenswear	6,109	81.7	6,055	85.8	4,395	64.6	1,758	57.7	3,286	64.2
Menswear	1,372	18.3	1,001	14.2	1,058	15.6	638	20.9	1,318	25.7
Kidswear	-	-	-	-	1,349	19.8	651	21.4	516	10.1
Total	<u>7,481</u>	<u>100.0</u>	<u>7,056</u>	<u>100.0</u>	<u>6,802</u>	<u>100.0</u>	<u>3,047</u>	<u>100.0</u>	<u>5,120</u>	<u>100.0</u>

The selling price of each of the product categories depends primarily on, amongst other thing, (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.

The following table and analysis set out the average selling prices per piece of finished product sold by the Group of each product category for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March					Six months ended 30 September		
	2017		2018		2019	2018		2019
	<i>Average</i> <i>selling price</i> HK\$	<i>Average</i> <i>selling price</i> HK\$	<i>Rate of</i> <i>change</i> %	<i>Average</i> <i>selling price</i> HK\$	<i>Rate of</i> <i>change</i> %	<i>Average</i> <i>selling price</i> HK\$ (unaudited)	<i>Average</i> <i>selling price</i> HK\$ (unaudited)	<i>Rate of</i> <i>change</i> %
Womenswear	57.1	54.0	(5.4)	61.3	13.5	64.9	61.2	(5.7)
Menswear	59.2	63.1	6.6	70.7	12.0	66.5	55.9	(15.9)
Kidswear	-	-	-	66.0	-	63.9	54.1	(15.3)
Overall average selling price per piece	<u>57.5</u>	<u>55.3</u>	<u>(3.8)</u>	<u>63.7</u>	<u>15.2</u>	<u>65.0</u>	<u>59.1</u>	<u>(9.1)</u>

The average selling price per piece of finished products decreased to approximately HK\$59.1 for the six months ended 30 September 2019 from approximately HK\$65.0 for the six months ended 30 September 2018, representing a decrease of approximately 9.1%. The average selling price per piece of womenswear and menswear products for the six months ended 30 September 2019 decreased to approximately HK\$61.2 and HK\$55.9 as compared to the six months ended 30 September 2018 of approximately HK\$64.9 and HK\$66.5, respectively. This was mainly attributable to the fact that the Group was more willing to offer lower prices for orders in bulk volume. There were approximately 3.3 million pieces and 1.3 million pieces of womenswear and menswear products for the six months ended 30 September 2019, representing an increase of approximately 86.9% and 106.6%, respectively, as compared to the six months ended 30 September 2018 of approximately 1.8 million pieces and 0.6 million pieces, respectively. The average selling price per piece of kidswear products decreased to approximately to HK\$54.1 for the six months ended 30 September 2019 from approximately HK\$63.9 for the six months ended 30 September 2018. Such decrease was primarily attributable to approximately 83.8% of the total revenue from kidswear products for the six months ended 30 September 2019 was derived in April, May and June 2019. According to the Directors, sales in these months were mainly related to spring and summer knitwear products which generally had lower selling price than autumn and winter knitwear products.

The average selling price per piece of finished products increased to approximately HK\$63.7 for the year ended 31 March 2019 from approximately HK\$55.3 for the year ended 31 March 2018, representing an increase of approximately 15.2%. Such increase was due to significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group.

The average selling prices per piece of finished product remained relatively stable at approximately HK\$57.5 for the year ended 31 March 2017 and approximately HK\$55.3 for the year ended 31 March 2018.

During the Track Record Period, the majority of the Group's knitwear products were sold to Japan and the U.S. The following table and analysis set out the breakdown of the Group's revenue by geographical location for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019 respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000 (unaudited)	% of revenue
Japan	394,498	91.7	358,569	91.8	274,815	63.5	120,688	60.9	141,966	46.9
The U.S.	-	-	-	-	85,750	19.8	45,032	22.7	97,509	32.2
Europe	-	-	-	-	38,001	8.8	15,347	7.7	47,037	15.5
Hong Kong	20,403	4.7	16,381	4.2	27,183	6.3	12,823	6.5	14,017	4.6
Others (Note)	15,229	3.6	15,473	4.0	7,255	1.6	4,278	2.2	2,135	0.8
Total	430,130	100.0	390,423	100.0	433,004	100.0	198,168	100.0	302,664	100.0

Note: Other locations comprise the PRC, Korea, Mexico, Australia, Dubai and South Africa.

As mentioned above, the Group solicited and commenced selling to Customer G during the year ended 31 March 2019, which aligns with the Group's strategy to strengthen and diversify its customer base. The Group's sales to the U.S. and Europe during the Track Record Period were solely attributable to Customer G.

Reasons for the fluctuations in revenue from customers in Japan throughout the Track Record Period

According to Frost & Sullivan, the knitwear apparel retail industry in Japan from womenswear, menswear or kidswear products did not experience significant decrease in revenue during 2017 to 2019. This is due to the increase in inbound tourists and changing consumer preference. Nonetheless, the Group's revenue generated from sales to Customer A, Customer B and other customers in Japan decreased from approximately HK\$394.5 million for the year ended 31 March 2017 to approximately HK\$358.6 million for the year ended 31 March 2018, and further decreased to approximately HK\$274.8 million for the year ended 31 March 2019. The decrease in revenue from customers in Japan was mainly attributable to (i) decrease in sales volume from customers in Japan. The Group's sales volume to Japan decreased from approximately 6.7 million pieces for the year ended 31 March 2018 to approximately 4.6 million pieces for the year ended 31 March 2019. There was a decrease in sales volume to the Group's customers in Japan while the revenue of the overall Japan knitwear apparel retail market did not experience significant decrease throughout the three years ended 31 March 2019 because the Group tended to accept fewer sales orders from some customers in Japan that would contribute relatively lower gross profit margin; and (ii) the Group has focused more on the sales with higher gross profit margin, such as to Customer G, and therefore it tended to accept fewer sales orders that would contribute relatively low gross profit margin.

Revenue from customers in Japan increased from approximately HK\$120.7 million for the six months ended 30 September 2018 to approximately HK\$142.0 million for the six months ended 30 September 2019. The increase in revenue from customers in Japan was mainly attributable to (i) increase in sales volume from customers in Japan. The Group's sales volume to Japan increased from approximately 2.0 million pieces for the six months ended 30 September 2018 to approximately 2.5 million pieces for the six months for the six months ended 30 September 2019; and (ii) revenue from Japan relating to Customer A, Customer C, Customer E and Customer F in aggregate increased largely by approximately HK\$27.4 million, despite revenue from Japan relating to Customer B decreased by approximately HK\$10.6 million.

The following tables and analysis set out the breakdown of the revenue, sales quantities and average selling price attributable to customers in Japan by each product category for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

Revenue

	For the year ended 31 March					For the six months ended 30 September		
	2017	2018		2019		2018	2019	
	HK\$'000	HK\$'000	Rate of change %	HK\$'000	Rate of change %	HK\$'000 (unaudited)	HK\$'000 (unaudited)	Rate of change %
Womenswear	315,113	297,472	(5.6%)	217,556	(26.9%)	87,950	103,269	17.4%
Menswear	79,385	61,097	(23.0%)	48,294	(21.0%)	32,636	38,569	18.2%
Kidswear	—	—	—	8,965	—	102	128	25.5%
	<u>394,498</u>	<u>358,569</u>	(9.1%)	<u>274,815</u>	(23.4%)	<u>120,688</u>	<u>141,966</u>	17.6%

Number of pieces

	For the year ended 31 March					For the six months ended 30 September		
	2017	2018		2019		2018	2019	
	'000	'000	Rate of change %	'000	Rate of change %	'000 (unaudited)	'000 (unaudited)	Rate of change %
Womenswear	5,736	5,726	(0.2%)	3,771	(34.1%)	1,456	1,803	23.8%
Menswear	1,349	970	(28.1%)	764	(21.2%)	543	698	28.5%
Kidswear	—	—	—	110	—	3	3	—
	<u>7,085</u>	<u>6,696</u>	(5.5%)	<u>4,645</u>	(30.6%)	<u>2,002</u>	<u>2,504</u>	25.1%

Average selling price

	For the year ended 31 March					For the six months ended 30 September		
	2017	2018		2019		2018	2019	
	HK\$	HK\$	Rate of change %	HK\$	Rate of change %	HK\$ (unaudited)	HK\$ (unaudited)	Rate of change %
Womenswear	54.90	52.00	(5.3%)	57.70	11.0%	60.4	57.3	(5.1%)
Menswear	58.80	63.00	7.1%	63.20	0.3%	60.1	55.3	(8.0%)
Kidswear	—	—	—	81.90	—	34.0	42.7	25.6%
	<u>55.70</u>	<u>53.60</u>	(3.8%)	<u>59.20</u>	10.4%	<u>60.3</u>	<u>56.7</u>	(6.0%)

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 following table and analysis set out the breakdown of the cost of sales for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000 (unaudited)	% of cost of sales	HK\$'000 (unaudited)	% of cost of sales
Subcontracting charges	270,120	74.4	244,489	75.0	282,170	80.7	126,078	78.1	221,556	88.9
Raw materials and consumable used	83,572	23.0	74,675	22.9	63,719	18.2	33,405	20.7	25,709	10.3
Inspection fee	8,260	2.3	5,871	1.8	2,905	0.8	1,604	1.0	1,541	0.6
Other processing charges	994	0.3	920	0.3	741	0.3	259	0.2	278	0.2
Total	<u>362,946</u>	<u>100.0</u>	<u>325,955</u>	<u>100.0</u>	<u>349,535</u>	<u>100.0</u>	<u>161,346</u>	<u>100.0</u>	<u>249,084</u>	<u>100.0</u>

The cost of sales increased to approximately HK\$249.1 million for the six months ended 30 September 2019 from approximately HK\$161.3 million for the six months ended 30 September 2018, representing an increase of approximately 54.4%. The increase of Group's cost of sales was in line with the increase in the Group's revenue of approximately 52.7% for the six months ended 30 September 2019.

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.

The cost of sales decreased to approximately HK\$326.0 million for the year ended 31 March 2018 from approximately HK\$362.9 million for the year ended 31 March 2017, representing a decrease of approximately 10.2%. The decrease of the Group's cost of sales was in line with the decrease in the Group's revenue of approximately 9.2% for the year ended 31 March 2018.

Subcontracting charges were the largest component of the Group's cost of sales, representing approximately 74.4%, 75.0%, 80.7%, 78.1% and 88.9% for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively. The subcontracting charges decreased from approximately HK\$270.1 million for the year ended 31 March 2017 to approximately HK\$244.5 million for the year ended 31 March 2018 and increased to approximately HK\$282.2 million for the year ended 31 March 2019, representing a decrease of approximately 9.5% and an increase of approximately 15.4%, respectively.

The subcontracting charges increased from approximately HK\$126.1 million for the six months ended 30 September 2018 to approximately HK\$221.6 million for the six months ended 30 September 2019, representing an increase of approximately 75.7%. The significant increase in subcontracting charges for the six months ended 30 September 2019 as compared to the same period in 2018 was primarily attributable to the increase in subcontracting of third-party manufacturers for production due to the increase in sales to Customer G which commenced business relationship with the Group since May 2018.

The decrease in subcontracting charges for the year ended 31 March 2018 was generally in line with the decrease in the Group's revenue for the year ended 31 March 2018. The increase of approximately 15.4% in subcontracting charges for the year ended 31 March 2019 as compared to the year ended 31 March 2018 was generally in line with the increase in revenue and more reliance on third-party manufacturers to source and procure raw materials and consumables for production during the year ended 31 March 2019, which led to the increase in subcontracting charges paid to the subcontractors by the Group.

Raw materials and consumable used decreased by approximately HK\$7.7 million from approximately HK\$33.4 million for the six months ended 30 September 2018 as compared to approximately HK\$25.7 million for the six months ended 30 September 2019. The decrease was mainly attributable to the decrease in raw materials and consumable used due to more reliance on third-party manufacturers to source and procure raw materials and consumables for production in coping with the increased purchase orders from Customer G during the six months ended 30 September 2019 as compared to the six months ended 30 September 2018.

Raw materials and consumable used decreased from approximately HK\$83.6 million for the year ended 31 March 2017 to approximately HK\$74.7 million for the year ended 31 March 2018 and further decreased to approximately HK\$63.7 million for the year ended 31 March 2019, representing a decrease of approximately 10.6% and 14.7%, respectively. Despite the increase in the Group's revenue 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 decrease in raw materials and consumable used was mainly due to more reliance on third party manufacturers to source and procure raw materials and consumables for production.

Gross profit and gross profit margin

The following table and analysis set out the breakdown of the gross profit margin for the Group's products for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	Gross Profit HK\$'000	margin (%)	Gross Profit HK\$'000	margin (%)	Gross Profit HK\$'000	margin (%)	Gross Profit HK\$'000 (unaudited)	margin (%) (unaudited)	Gross Profit HK\$'000 (unaudited)	margin (%) (unaudited)
Womenswear	56,503	16.2	53,329	16.3	48,325	17.9	19,515	17.1	39,587	19.7
Menswear	10,681	13.2	11,139	17.6	13,293	17.8	5,586	13.2	9,805	13.3
Kidswear	-	-	-	-	21,851	24.6	11,721	28.2	4,188	15.0
Total	<u>67,184</u>	<u>15.6</u>	<u>64,468</u>	<u>16.5</u>	<u>83,469</u>	<u>19.3</u>	<u>36,822</u>	<u>18.6</u>	<u>53,580</u>	<u>17.7</u>

The Group's gross profit increased to approximately HK\$53.6 million for the six months ended 30 September 2019 from approximately HK\$36.8 million for the six months ended 30 September 2018, representing an increase of approximately 45.5%. Such increase in gross profit of the Group was mainly due to increase in sales of knitwear products to Customer G. The Group's gross profit margin decreased to approximately 17.7% for the six months end 30 September 2019 from approximately 18.6% for the six months ended 30 September 2018. Such decrease in the Group's gross profit margin was mainly attributable to better pricing offered by the Group on the spring and summer kidswear products.

The Group's gross profit 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 margin 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 margin was mainly attributable to the expansion of the customer mix as the Group solicited Customer G from which the revenue derived accounted for approximately 31.1% of the Group's total revenue for the year ended 31 March 2019 and generated higher gross profit margin to the Group as discussed in the paragraph headed "Recent

Development – New customer in the U.S.” above, partially offset by the significant decrease in purchase orders of knitwear products with lower gross profit margins from existing major customers of the Group.

The gross profit margin for kidswear was higher than those of womenswear and menswear because approximately 89.2% of the kidswear were sold to Customer G and the average selling price of the kidswear sold to Customer G was higher than the average selling price of the Group’s products for the year ended 31 March 2019.

The Group’s gross profit decreased slightly to approximately HK\$64.5 million for the year ended 31 March 2018 from approximately HK\$67.2 million for the year ended 31 March 2017, representing a decrease of approximately 4.0%. The decrease was mainly attributable to the decrease in sales volume of the Group’s knitwear products due to decrease in demand from existing customers for the year ended 31 March 2018. The Group’s gross profit margin increased to approximately 16.5% for the year ended 31 March 2018 from approximately 15.6% for the year ended 31 March 2017. Such increase in the Group’s gross profit margin was mainly attributable to decrease in sales to a major customer of menswear products which contributed relatively low gross profit margin of the Group.

Other income

Other income mainly consists of sample sales income and gain or loss on exchange differences.

The Group recorded other income of approximately HK\$0.8 million for the six months ended 30 September 2019, whilst other loss of approximately HK\$0.3 million for the six months ended 30 September 2018 was incurred. The change was mainly attributable to the Group’s exchange loss of approximately HK\$1.1 million recorded for the six months ended 30 September 2018 as compared to the exchange gain of approximately HK\$0.3 million recorded for the six months ended 30 September 2019, which partially offset by the decrease in sample income for the six months ended 30 September 2019.

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 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 Group recorded other income of approximately HK\$1.9 million for the year ended 31 March 2018, whilst other loss of approximately HK\$0.5 million was incurred for the year ended 31 March 2017. The change was mainly attributable to the turnaround of exchange difference from exchange loss of approximately HK\$2.1 million for the year ended 31 March 2017 to exchange gain of approximately HK\$0.7 million for the year ended 31 March 2018, which was partially offset by the decrease in the Group’s sample sales income of approximately HK\$0.4 million for the year ended 31 March 2018.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and selling and merchandising staff costs and benefits. The following table sets forth the components of our selling and distribution expenses for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	%
Staff costs and benefits	11,983	49.7	11,229	47.8	9,685	34.9	5,403	46.4	4,540	25.7
Sample costs	6,560	27.2	6,163	26.2	8,667	31.2	1,811	15.5	6,185	35.0
Logistic expenses	3,266	13.6	3,203	13.6	4,329	15.6	1,476	12.7	2,582	14.6
Commission expenses	2,123	8.8	2,274	9.7	4,339	15.6	2,568	22.0	4,035	22.8
Advertising expense	169	0.7	628	2.7	769	2.7	395	3.4	318	1.9
Total	24,101	100.0	23,497	100.0	27,789	100.0	11,653	100.0	17,660	100.0

Selling and distribution expenses increased to approximately HK\$17.7 million for the six months ended 30 September 2019 from approximately HK\$11.7 million for the six months ended 30 September 2018, representing an increase of approximately 51.5%. The increase was mainly due to the increase in sample costs, logistic expenses and commission expenses mainly caused by developing new business relationship with Customer G, which was partially offset by the decrease in staff costs and benefits due to decrease in number of merchandising staff during the period following the set up of showroom and office in Japan as explained in paragraph below.

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%. The increase in the Group's selling and distribution expenses mainly attributable to the increase in sample costs of approximately HK\$2.5 million, commission expenses of approximately HK\$2.1 million and logistic expenses of approximately HK\$1.1 million, which was mainly due to developing new business relationship with the Customer G. The increase was partially offset by the decrease in staff costs and benefits of approximately HK\$1.5 million, which was mainly due to the decrease in number of merchandising staff during the year. The Group's merchandising staff are mainly responsible for maintaining communications with customers and suppliers such as carrying out sales presentations and promotions, handling enquires from customers and following up purchase orders. They are also involved in sourcing and procuring raw materials and consumables and liaising with suppliers on production process. During the year ended 31 March 2019, the Group reduced the number of merchandising staff because the Group (i) has set up a showroom and office in Japan in first half of 2018 and employed staff based in Japan. With staff based in Japan, the Group can be more effective and can save travel time in conducting sales presentations and promotions to customers in Japan and handling their enquiries which allowed the

Group to reduce the number of merchandising staff based in Hong Kong and as a result, overall number of merchandising staff is decreased; and (ii) relied more on the Group's suppliers who are third-party manufacturers to source and procure raw materials and consumables for production.

Selling and distribution expenses decreased slightly to approximately HK\$23.5 million for the year ended 31 March 2018 from approximately HK\$24.1 million for the year ended 31 March 2017, representing a decrease of approximately 2.5%. Such decrease in the Group's selling and distribution expenses were mainly attributable to the decrease in staff costs and benefits.

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, general and administrative staff costs and benefits. The following table sets forth the components of our administrative expenses for the three years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2018 and 2019, respectively:

	Year ended 31 March						Six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000 (unaudited)	%
Staff costs and benefits	10,202	47.6	10,064	43.5	10,773	44.9	5,188	45.9	5,187	45.8
Directors' emoluments	2,903	13.6	3,227	14.0	3,316	13.8	1,658	14.7	1,658	14.6
Office expenses	1,935	9.3	1,777	7.6	1,534	6.4	585	5.2	590	5.2
Depreciation	785	3.7	998	4.3	1,084	4.5	486	4.3	1,112	9.8
Rent and rates	1,225	5.7	1,252	5.4	1,777	7.4	891	7.9	275	2.4
Overseas and local travelling	1,717	8.0	1,753	7.6	1,121	4.7	712	6.3	708	6.3
Bank charges	1,476	6.9	1,259	5.4	1,560	6.5	453	4.0	725	6.4
Legal and professional fee	285	1.0	1,896	8.2	1,875	7.8	852	7.5	634	5.6
Audit fee	400	1.9	465	2.0	507	2.2	228	2.0	250	2.2
Entertainment	485	2.3	439	2.0	440	1.8	249	2.2	193	1.7
Total	21,413	100.0	23,130	100.0	23,987	100.0	11,302	100.0	11,332	100.0

Administrative expenses remained stable at approximately HK\$11.3 million for the six months ended 30 September 2018 and 2019, respectively.

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%, which was mainly attributable to the increase in rent and office expenses incurred in respect of the opening of the office and a showroom in Japan in 2018 partially offset by the decrease in travelling cost to Japan.

Administrative expenses increased to approximately HK\$23.1 million for the year ended 31 March 2018 from approximately HK\$21.4 million for the year ended 31 March 2017, representing an increase of approximately 7.9%. Such an increase was mainly attributable to the (i) increase in professional fees incurred following the listing of the Shares of the Company in May 2017 and (ii) increase in directors' emoluments.

Net profit for the year or period

As a result of the foregoing reasons, the Group's net profit amounted to approximately HK\$18.7 million for the six months ended 30 September 2019, as compared with the net profit of HK\$11.2 million for six months ended 30 September 2018, representing an improvement of approximately 66.8%. If the non-recurring transfer of listing expenses of approximately HK\$2.4 million for the six months ended 30 September 2019 were excluded, the Group's adjusted net profit for the six months ended 30 September 2019 would have been improved by approximately 87.9%, compared to the net profit for the six months ended 30 September 2018 of approximately HK\$11.2 million.

As a result of the foregoing reasons, the Group's net profit amounted to approximately HK\$27.2 million for the year ended 31 March 2019, representing a significant increase of approximately 90.8% from approximately HK\$14.1 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 net profit for the year ended 31 March 2019 would have been increased by approximately 62.9% compared to the adjusted net profit for the year ended 31 March 2018 of approximately HK\$16.7 million.

Net profit increased to approximately HK\$14.1 million for the year ended 31 March 2018 from approximately HK\$6.1 million for the year ended 31 March 2017, representing a significant increase of approximately 131.1%. If the non-recurring listing expenses for the years ended 31 March 2017 and 2018 were excluded, the Group's adjusted net profit for the year ended 31 March 2018 would have been approximately HK\$16.7 million, representing a slight decrease of approximately 4.6% compared to the adjusted net profit for the year ended 31 March 2017 of approximately HK\$17.5 million.

A summary of the consolidated statement of financial position of the Group as at 31 March 2017, 2018, 2019 and 30 September 2019 is set out below.

	As at 31 March			As at 30 September 2019
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Non-current assets				
Property, plant and equipment	1,527	1,680	3,537	3,122
Right-of-use asset	–	–	–	2,621
Deferred tax asset	11	7	–	–
	<u>1,538</u>	<u>1,687</u>	<u>3,537</u>	<u>5,743</u>
Current assets				
Inventories	7,137	5,767	4,443	25,874
Trade and bills receivables	8,008	9,219	23,268	147,229
Prepayments, deposits and other receivables	7,061	4,490	20,339	9,314
Pledged bank deposit	6,011	15,864	14,925	8,000
Bank and cash balances	38,503	83,350	77,688	71,079
	<u>66,720</u>	<u>118,690</u>	<u>140,663</u>	<u>261,496</u>
Current liabilities				
Trade and other payables	18,276	26,884	29,014	135,422
Tax payables	3,747	818	2,835	6,251
Borrowings	20,333	–	–	–
Lease liabilities	116	122	128	1,231
	<u>42,472</u>	<u>27,824</u>	<u>31,977</u>	<u>142,904</u>
Net current assets	<u>24,248</u>	<u>90,866</u>	<u>108,686</u>	<u>118,592</u>
Total assets less current liabilities	<u>25,786</u>	<u>92,553</u>	<u>112,223</u>	<u>124,335</u>
Non-current liabilities				
Lease liabilities	384	262	134	1,620
Deferred tax liability	–	–	176	199
	<u>384</u>	<u>262</u>	<u>310</u>	<u>1,819</u>
TOTAL EQUITY	<u><u>25,402</u></u>	<u><u>92,291</u></u>	<u><u>111,913</u></u>	<u><u>122,516</u></u>

Non-current assets

The Group's non-current assets mainly consist of property, plant and equipment and right-of-use asset. The non-current assets increased by approximately 62.4% or HK\$2.2 million, from approximately HK\$3.5 million as at 31 March 2019 to approximately HK\$5.7 million as at 30 September 2019. It was mainly due to inclusion of right-of-use asset amounting to approximately HK\$2.6 million upon the adoption of HKFRS 16 "Leases" in the accounting year beginning. For details of adoption of HKFRS 16, please refer to the paragraph headed "Adoption of New and Revised Hong Kong Financial Reporting Standards" above.

Current assets

Inventories

The Group's inventories consisted of raw materials and work in progress. The Group's major raw materials are yarn which are mainly blended with different materials. Work in progress represented semi-finished products with the third-party manufactures which are currently under production.

The Group's inventories decreased by approximately 18.3% or HK\$1.3 million, from approximately HK\$7.1 million as at 31 March 2017 to approximately HK\$5.8 million as at 31 March 2018. It was mainly because the Group received fewer sales orders relying on the Group to source and procure raw materials and consumables for production around the year end 2018 as compared with the year end 2017; as a result it made less purchases for raw materials to cater production requirement for sales deliveries. The Group's inventories further decreased by approximately 24.1% to approximately HK\$4.4 million as at 31 March 2019, mainly due to more reliance on third party manufacturers to source and procure raw materials and consumables for production.

The Group's inventories increased by approximately 482.3% to approximately HK\$25.9 million as at 30 September 2019, mainly due to increase in purchase of raw materials in preparation for peak season from October 2019 to January 2020. As at the Latest Practicable Date, approximately 63.8% of the inventories as at 30 September 2019 were subsequently used or sold.

Trade and bills receivables

The trade and bills receivables mainly represented receivables from customers of the Group's apparel supply chain management services. As at 31 March 2017, 2018, 2019 and 30 September 2019, the Group's trade and bills receivables amounted to approximately HK\$8.0 million, HK\$9.2 million, HK\$23.3 million and HK\$147.2 million, respectively. The significant increase in trade and bills receivables from approximately HK\$23.3 million as at 31 March 2019 to approximately HK\$147.2 million as at 30 September 2019 was mainly due to the Group generated substantially higher sales in months towards 30 September 2019 given the peak season as compared with the sales in months towards 31 March 2019.

The table below sets forth the Group's ageing analysis of trade and bills receivables based on invoice date as at 31 March 2017, 2018, 2019 and 30 September 2019, respectively:

	2017		As at 31 March 2018		2019		As at 30 September 2019	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
1-30 days	6,476	80.9	7,865	85.3	20,122	86.5	104,335	70.9
31-60 days	208	2.6	917	10.0	28	0.1	35,660	24.2
61-90 days	1,129	14.1	332	3.6	3,076	13.2	7,225	4.9
Over 90 days	195	2.4	105	1.1	42	0.2	9	-
Total	<u>8,008</u>	<u>100.0</u>	<u>9,219</u>	<u>100.0</u>	<u>23,268</u>	<u>100.0</u>	<u>147,229</u>	<u>100.0</u>

During the Track Record Period, the Group did not experience any material payment defaults from its customers. No allowance for bad and doubtful debt was provided for the three years ended 31 March 2017, 2018, 2019, and the six months ended 30 September 2019, respectively; 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 Group considers whether there has been a significant increase in credit risk of trade and bills receivable on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. The Group adopts a zero-percent weighted average expected loss rate for impairment assessment based on consideration of available reasonable and supportive forwarding-looking information as follow:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant increases in credit risk on other financial instruments of the same customer;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

As at the Latest Practicable Date, approximately 76.8% of the Company's trade and bills receivables as at 30 September 2019 were settled.

Prepayments, deposits and other receivables

The following table sets out prepayments, deposits and other receivables as at 31 March 2017, 2018, 2019 and 30 September 2019, respectively:

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
				(unaudited)
Prepayments to subcontractors or suppliers	1,667	3,402	19,294	8,610
Deposits	41	312	224	228
Other receivables	205	254	129	11
Other prepayments (including deferred listing expenses)	5,148	522	692	465
	<u>7,061</u>	<u>4,490</u>	<u>20,339</u>	<u>9,314</u>

Prepayments, deposits and other receivables decreased from approximately HK\$7.1 million as at 31 March 2017 to approximately HK\$4.5 million as at 31 March 2018, representing a decrease of approximately 36.6%. This was mainly due to nil deferred listing expenses as at 31 March 2018 whilst there was approximately HK\$4.3 million of deferred listing expenses as at 31 March 2017.

The Group's prepayments, deposits and other receivables increased from approximately HK\$4.5 million as at 31 March 2018 to approximately HK\$20.3 million as at 31 March 2019. This was mainly attributable to the increase in prepayments to third-party manufacturers and or suppliers from approximately HK\$3.4 million as at 31 March 2018 to approximately HK\$19.3 million as at 31 March 2019. Such balance mainly represents deposit paid to suppliers and subcontractors in relation to production of goods to Customer G.

Prepayments, deposits, and other receivables decreased from approximately HK\$20.3 million as at 31 March 2019 to approximately HK\$9.3 million as at 30 September 2019. This was mainly due to the decrease in prepayments to suppliers and subcontractors for production as at 30 September 2019 as compared to that as at 31 March 2019.

Pledged bank deposit, bank and cash balances

Bank deposit of the Group had been pledged to secure banking facilities granted to the Group. The pledged bank deposit carry fixed interest rates which were at 0.1%, 4.01%, 2.21% and 1.5% per annum as at 31 March 2017, 2018, 2019 and 30 September 2019, respectively. As at 31 March 2017, 2018, 2019 and 30 September 2019, the Group had bank balances and cash equivalent of approximately HK\$38.5 million, HK\$83.4 million, HK\$77.7 million and HK\$71.1 million, respectively. Bank balances carried interest at prevailing market rates ranging from 0.01% to 0.35%, 0.01% to 0.38%, 0.01% to 0.45% and 0.01% to 0.45% per annum as at 31 March 2017, 2018, 2019 and 30 September 2019, respectively.

Current liabilities

Trade and other payables

The Group's trade and other payables represent payables to the third-party manufacturers and raw material suppliers, accrued subcontracting charges, accrued staff costs and expenses, deposits received and other payables. The following table sets out the trade and other payables as at 31 March 2017, 2018, 2019 and 30 September 2019:

	As at 31 March			As at
	2017	2018	2019	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2019
				<i>HK\$'000</i>
				(unaudited)
Trade payables	6,902	22,855	25,554	122,511
Accrued subcontracting charges	661	626	513	4,468
Accrued staff costs	590	601	528	1,304
Accrued expenses	8,862	1,657	1,368	3,960
Other payables	1,261	1,145	1,051	3,179
	<u>18,276</u>	<u>26,884</u>	<u>29,014</u>	<u>135,422</u>

Trade and other payables increased by approximately HK\$8.6 million or approximately 47.0%, from approximately HK\$18.3 million as at 31 March 2017 to approximately HK\$26.9 million as at 31 March 2018. The relatively low balance of trade payables as at 31 March 2017 was mainly because of less amounts of sales had been conducted around the year end when compared with that as at 31 March 2018 and 31 March 2019, respectively; and accordingly, the Group's purchases from subcontractors and raw materials suppliers were also lower. The decrease in accrued expenses of approximately HK\$7.2 million was mainly due to settlement of the listing expenses related to the GEM Listing in 2017.

Trade and other payables remain relatively stable at approximately HK\$29.0 million as at 31 March 2019 as compared to approximately HK\$26.9 million as at 31 March 2018.

Trade and other payables increased by approximately HK\$106.4 million, or 366.7%, from approximately HK\$29.0 million as at 31 March 2019 to approximately HK\$135.4 million as at 30 September 2019. This was mainly due to the increase in trade payables given the increase in production orders to the third-party manufacturers and purchase orders to the raw material suppliers during the peak season of the Group.

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 respective reporting period is as follows:

	As at 31 March		As at 30 September	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000 (unaudited)
1 – 30 days	5,122	6,760	18,193	91,828
31 – 60 days	1,113	14,872	4,430	29,474
61 – 90 days	626	180	2,062	365
Over 90 days	41	1,043	869	843
	<u>6,902</u>	<u>22,855</u>	<u>25,554</u>	<u>122,510</u>

As at the Latest Practicable Date, approximately 96.5% of approximately HK\$122.5 million trade payables as at 30 September 2019 were settled.

Borrowings

As at 31 March 2017, the Group's bank borrowings was approximately HK\$20.3 million which was fully repaid subsequently and there were nil balance of borrowings as at 31 March 2018 and 2019, and 30 September 2019, respectively.

The Group has entered into two banking facilities agreements which offer a total banking facilities limit of approximately HK\$53.4 million as at 30 September 2019 and one of the banking facilities has charged over the Group's fixed bank deposit. The Group's rate of unutilised banking facilities was 77.9%, 100%, 100% and 95.2% as at 31 March 2017, 2018, 2019 and 30 September 2019, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

For the three years ended 31 March 2017, 2018, 2019 and six months ended 30 September 2019, the Group mainly financed the capital expenditures and working capital requirements through cash generated from operations, net proceeds raised from the GEM Listing and bank borrowings.

As at 31 March 2017, 2018, 2019 and 30 September 2019, the Group's net current assets amounted to approximately HK\$24.2 million, HK\$90.9 million, HK\$108.7 million and HK\$118.6 million, respectively. Cash and cash equivalents increased from approximately HK\$38.5 million as at 31 March 2017 to approximately HK\$83.4 million as at 31 March 2018, slightly decreased to approximately HK\$77.7 million as at 31 March 2019 and further decreased to approximately HK\$71.1 million as at 30 September 2019.

The Group's current ratio increased significantly from approximately 1.6 times as at 31 March 2017 to approximately 4.3 times as at 31 March 2018, The significant increase from 2017 to 2018 was mainly due to the full repayment of bank borrowings and increase in cash and bank borrowings upon GEM Listing in 2017. The Group's current ratio further improved to approximately 4.4 times as at 31 March 2019. Such increase was mainly as a result of an increase in trade and bills receivables, prepayments, deposits and other receivables as at 31 March 2019.

The Group's current ratio decreased to approximately 1.8 times as at 30 September 2019. Such decrease was mainly due to current assets increased by approximately 85.9% whilst current liabilities increased by approximately 346.9% as compared to those as at 31 March 2019. The increase in current liabilities were mainly attributable to the increase in trade and other payables. Please refer to "key financial information – Current liabilities – Trade and other payables" above for details.

As at the Latest Practicable Date, the Group had borrowings of approximately HK\$53.4 million. As at the Latest Practicable Date, the amount of unutilised banking facilities was approximately HK\$53.2 million.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to 30 September 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

USE OF PROCEEDS

The net proceeds from the GEM Listing, after deduction of the underwriting fees and other related expenses, were approximately HK\$35.9 million, which was based on the final price of HK\$0.5 per Share and the actual expenses on the GEM Listing. The analyses of the actual utilisation of the net proceeds from the GEM Listing up to 30 September 2019 were set out in the published interim report of the Company for the six months ended 30 September 2019.

Entire adjusted planned use of net proceeds up to 30 September 2019 had been utilised in accordance with the use of proceeds as set out in the Prospectus.

The remaining net proceeds which has not been utilised is expected to be applied in accordance with the use of proceeds as set out in the Prospectus.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each of the current Directors and members of senior management:

Executive Directors

Mr. Chan Wing Kai (陳永啟), aged 51, was appointed as a Director of the Company on 19 November 2015 and was designated as an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company on 15 June 2016 for an initial term of three years commencing from the GEM Listing Date. He is responsible for the overall strategic planning and corporate policy making, as well as business development and day-to-day management of the Group's business operations. He is also a director of each of the subsidiaries of the Company save for Speed Apparel (SZ) Trading Limited* (尚捷時(深圳)貿易有限公司) (the "**PRC Subsidiary**") and a director of Speed Development and a controlling shareholder of the Company. Mr. Chan completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled "Professional certificate in business management" co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan has more than 27 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000. He was responsible for the operation and management of the Group's business since he joined the Group.

Mr. Ng Ming Ho (吳明豪), aged 50, was appointed as an executive Director on 15 June 2016 and is responsible for the overall management and administration of the Group's business, and overseeing the operations of the Group. Mr. Ng joined the Group in September 2002. Mr. Ng completed his secondary education in Hong Kong in 1987 and a two-year part-time evening post-secondary 3 course at Morrison Hill Technical Institute in July 1996. He was awarded with a Level 1 certificate in book-keeping from the London Chamber of Commerce and Industry in 2003. He has more than 27 years of administrative and office management experience. Prior to joining the Group, he was employed by JEFT International Limited as an office manager from June 1989 to July 2002. He is a director of the PRC subsidiary of the Company.

** English name for identification purpose only*

Independent non-executive Directors

Mr. Kwok Chi Shing (郭志成), aged 57, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Kwok obtained a Master of Arts in Economics with Accountancy with Honours from the University of Aberdeen in the United Kingdom in July 1986. He was admitted as an associate of The Hong Kong Institute of Certified Public Accountants in January 1991 and an associate of The Taxation Institute of Hong Kong in May 1992. He was admitted as a certified tax adviser in May 2010. Mr. Kwok has over 22 years of experience in audit assurance, cross border taxation assignments and project financing. Mr. Kwok has been an independent non-executive director of Huakang Biomedical Holdings Company Limited (stock code: 8622) and Hang Chi Holdings Limited (stock code: 8405) with effect from 26 November 2018 and 21 June 2017, respectively. Mr. Kwok has also been an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65) (formerly known as Angels Technology Company Limited, the share of which were transferred from GEM to the Main Board on 22 June 2009) with effect from 27 January 2006. He was a director of Lam, Kwok, Kwan & Cheng C.P.A. Limited from February 1999 to May 2010 and he was appointed as a director in LKKC C.P.A. Limited in December 2007. Prior to that, he was one of the partners at Wong Lam Leung & Kwok Certified Public Accountants from August 1993 to February 1999.

Mr. Kwok was a director of the following companies that were incorporated in Hong Kong, and subsequently struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance, which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies. Mr. Kwok confirmed that the companies were solvent and inactive at the time of strike off and that their dissolution had not resulted in any liability or obligation against him. The following table details the aforementioned companies that were struck off:

Name of company	Nature of business	Date of strike off notice	Date of strike off
China Investment Consultants Limited	Inactive	5 September 2003	20 February 2004
HKU Professional Diploma In Real Estate Administration Alumni Limited	Inactive	16 October 2009	26 March 2010

Ms. Chan Siu Lai (陳小麗), aged 49, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. She is the chairlady of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Ms. Chan obtained a bachelor degree of art major in law and management science from the University

of Keele in the United Kingdom in June 1992. She has been admitted as a solicitor in Hong Kong since July 1996, and a solicitor in England and Wales since February 2002. From November 2000 to January 2016, Ms. Chan worked for INCE & Co. initially as an assistant solicitor and lastly held the position of senior associate. Ms. Chan is currently a claims executive lawyer at Gard (HK) Limited.

Mr. Ma Kwok Fai, Edwin (馬國輝), aged 46, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Mr. Ma obtained a bachelor degree of arts in clothing studies from The Hong Kong Polytechnic University in November 1998. Mr. Ma has over 15 years of experience in the magazine publishing industry. He was previously employed by Li & Fung (Trading) Limited as an assistant merchandiser from September 1998 to January 1999. He has joined MRRM Publishing Limited in Hong Kong since January 2003 and his current position is the fashion director and associate publisher.

Disclosure required under Rule 13.51(2) of the Main Board Listing Rules

Save as disclosed above, each of the Directors confirms with respect to him/her that: (i) save as disclosed herein above, he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in this announcement, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

Board Diversity Policy

The Board adopted a board diversity policy (the “**Board Diversity Policy**”) on 28 December 2018. The Board Diversity Policy aimed to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below:

Summary of the Board Diversity Policy

In determining the composition of the Board, the Company will consider from a number of aspects in terms of, among other things, gender, age, cultural and educational background, or professional experience. All Board appointments will be based on meritocracy, candidates will be considered against objective criteria and having due regard for the benefits of diversity on the Board.

Measurable objectives

Selection of candidates as Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, expertise or professional experience. The Board intends to maintain at least one female Director in the Board going forward. The ultimate decision will be based on merits and contributions which the selected candidates will bring to the Board.

Monitoring and reporting

The nomination committee of the Company (the “**Nomination Committee**”) will disclose annually, in the corporate governance report, on the Board’s composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, expertise, or professional experience), and monitor the implementation of this policy.

Review of the Board Diversity Policy

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revision that may be required and recommend any such revision(s) to the Board for consideration and approval.

Senior Management

Ms. Sze Yee Kwan (施懿君), aged 49, joined the Group in March 2004 as a senior merchandiser and was subsequently promoted to the position of chief executive officer assistant in February 2007. She is primarily responsible for assisting in overseeing and supervising the day-to-day management of the design and promotion department, and purchasing department of the Group. Ms. Sze was awarded with Level 2 certificate in bookkeeping and accounts from the London Chamber of Commerce and Industry in 1990. She also obtained a diploma in business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1991 and a certificate course in fashion and clothing manufacture (distance learning) from The Hong Kong Polytechnic University in August 1998. In February 2005, she obtained a Level 3 certificate of Japanese Language Proficiency Test. Ms. Sze has over 22 years of experience in the apparel industry. Ms. Sze worked for Chungkuo Chung Fah Co. Ltd. from July 1991 to June 1994. She was employed by Fashion Resources Limited as a senior merchandiser from June 1994 to March 1997. From June 1997 to March 1998, she worked for Chamtex Limited as a senior merchandiser. From May 1998 to September 2002, Ms. Sze re-joined Fashion Resources Limited as a senior merchandiser. Prior to joining the Group, she worked for Gracedon Knitters Limited as a senior merchandiser from October 2002 to February 2004.

Ms. Wong Lai King (黃麗琼), aged 51, joined the Group in October 2001 as a senior merchandiser and was subsequently promoted to the position of division merchandising manageress in February 2013. She is primarily responsible for merchandising management of the Group. Ms. Wong completed a part-time evening training course in pattern making (outerwears) at the Clothing Industry Training Authority in Hong Kong in June 1991 and obtained a diploma in fashion management from The George Brown College of Applied Arts and Technology in Toronto, Canada in June 1994. Ms. Wong has over 17 years of working experience in the apparel industry. Ms. Wong was employed by Tillsonburg Company Limited as a merchandising assistant from July 1990 to December 1991. She then worked for Green Top Production, Inc. as a merchandiser from August 1994 to December 1995. Prior to joining the Group, Ms. Wong was employed by Prominent Apparel Limited as a merchandiser from April 1996 to August 2001.

Ms. Wu Yu Lim, Winnie (鄔瑜廉), aged 45, joined the Group in September 2015 as the chief financial officer and company secretary of the Group. She is primarily responsible for the financial reporting, treasury, financial control and company secretarial matters of the Group. Ms. Wu obtained a bachelor degree in accountancy from the University of South Australia in Australia in March 2007 and a diploma in finance from Lingnan University in November 2003. She has been a member of The Hong Kong Institute of Certified Public Accountant since November 2009 and a member of Certified Public Accountant Australia since February 2009. Ms. Wu has over 12 years of accounting and company secretarial experience. Prior to joining the Group, Ms. Wu was employed by SDM Group Holdings Limited (stock code: 8363) as a senior finance manager from April 2014 to July 2015. Before that, she served as a financial controller and company secretary in Chinese Food and Beverage Group Limited (stock code: 8272) between January 2013 and November 2013. In addition, Ms. Wu was employed as finance manager in PME Group Limited (currently known as China Ever Grand Financial Leasing Group Co., Ltd.) (stock code: 0379) from June 2009 to December 2012 and served as accounting manager in New Capital International Investment Limited (currently known as China Development Bank International Investment Limited) (stock code: 1062) from May 2006 to June 2009.

Directors' and Chief Executives' interests in Shares

As at the date of this announcement, save as disclosed below, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 to 5.67 of the GEM

Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

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 Wing Kai	Interest of a controlled corporation	375,000,000 (L) ^(Note 2, 3)	75%

Notes:

1. As at Latest Practicable Date, the Company's issued ordinary share capital was HK\$5.0 million divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development, a company incorporated in the British Virgin Islands on 12 November 2015 and an investment holding company, is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.
3. The letter "L" denotes the person's long position in the Shares.

Saved as disclosed above, none of the Directors and chief executive of the Company (i) had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange; (ii) had any other relationship with other Directors, senior management or substantial Shareholders or Controlling Shareholders of the Company as at the Latest Practicable Date; (iii) held any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.speedapparel.com.hk> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (i) the Memorandum and the Articles;
- (ii) the annual report (including the Report of the Directors) of the Company for the year ended 31 March 2019;
- (iii) the interim report of the Company for the six months ended 30 September 2019;

- (iv) the quarterly report of the Company for the three months ended 30 June 2019;
- (v) the circular of the Company dated 19 June 2019 in relation to the proposed grant of general mandates to issue and repurchase Shares, re-election of Directors and notice of annual general meeting; and
- (vi) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Articles”	the articles of association of the Company, conditionally adopted on 8 May 2017 and effective upon GEM Listing, and as amended from time to time
“ASEAN”	Association of Southeast Asia Nations, whose membership consists of Thailand, Malaysia, Indonesia, the Philippines, Singapore, Brunei, Vietnam, Lao P.D.R., Myanmar and Cambodia
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Company” or “the Company”	Speed Apparel Holding Limited (尚捷集團控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 19 November 2015
“connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules or the Main Board Listing Rules, as applicable

“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules or Main Board Listing Rules, as applicable, unless the context requires otherwise, refers to Speed Development and Mr. Chan
“Director(s)”	the director(s) of the Company or any one of them
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing”	listing of Shares on GEM on 31 May 2017
“GEM Listing Date”	31 May 2017, on which dealings in the Shares were first commenced on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is/are independent of the Group and the connected persons of the Company
“Latest Practicable Date”	25 November 2019, being the latest practicable date prior to the printing of this announcement for the purpose of ascertaining certain information contained in this announcement
“Main Board”	the stock market operated by the Stock Exchange, prior to the establishment of GEM (excluding the options market), which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Memorandum”	the memorandum of association of the Company as adopted on 8 May 2017 with immediate effect and as amended from time to time
“PRC” or “China”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, reference in this announcement to “China” and the “PRC” do not include, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 16 May 2017 in connection with the Listing on GEM
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Speed Development”	Speed Development Co. Ltd, a company incorporated in the BVI on 12 November 2015 with limited liability whose issued shares are wholly-owned by Mr. Chan and is a Controlling Shareholder of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 8 May 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	the substantial shareholder(s) (which has the meaning ascribed to it under the GEM Listing Rules or the Main Board Listing Rules, as applicable) of the Company
“Track Record Period”	the three financial years ended 31 March 2017, 2018 and 2019, and six months ended 30 September 2019
“Transfer of Listing”	the transfer of the listing of the Shares from GEM to the Main Board pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules

“United States” or “U.S.” the United States of America, its territories and possessions, and all areas subject to its jurisdiction

“US\$” United States dollars, the lawful currency of the United States of America

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

Hong Kong, 3 December 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board 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 Listed Company Information” page of the website of the Stock Exchange at <http://www.hkgem.com> for a minimum period of seven days from the date of publication and on the website of the Company at <http://www.speedapparel.com.hk>.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistencies.