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SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3860)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2020, the audited operating results of the Group are as follows:

- Revenue of approximately HK\$537.4 million was recorded for the year ended 31 March 2020;
- Profit after taxation for the year ended 31 March 2020 amounted to approximately HK\$22.7 million;
- Basic earnings per share for the year ended 31 March 2020 based on weighted average number of 500,000,000 ordinary shares was approximately 4.5 HK cents; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Speed Apparel Holding Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020, together with comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 4 & 6 | 537,408 | 433,004 |
| Cost of sales | | <u>(445,207)</u> | <u>(349,535)</u> |
| Gross profit | | 92,201 | 83,469 |
| Interest income | | 195 | 486 |
| Other income | 5 | 1,009 | 655 |
| Selling and distribution expenses | | (36,710) | (27,789) |
| Administrative expenses | | <u>(23,599)</u> | <u>(23,987)</u> |
| Profit from operations | | 33,096 | 32,834 |
| Professional fee in relation to the Transfer of Listing | | (5,149) | – |
| Finance costs | | <u>(147)</u> | <u>(111)</u> |
| Profit before tax | | 27,800 | 32,723 |
| Income tax expense | 7 | <u>(5,065)</u> | <u>(5,489)</u> |
| Profit for the year | 8 | <u>22,735</u> | <u>27,234</u> |
| Other comprehensive expense: | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | <u>(118)</u> | <u>(112)</u> |
| Other comprehensive expense for the year | | <u>(118)</u> | <u>(112)</u> |
| Total comprehensive income for the year attributable to owners of the Company | | <u>22,617</u> | <u>27,122</u> |
| Earnings per share | 10 | | |
| Basic and diluted (HK cents) | | <u>4.5</u> | <u>5.4</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 2,838 | 3,537 |
| Right-of-use assets | | 3,009 | – |
| | | <hr/> 5,847 | <hr/> 3,537 |
| Current assets | | | |
| Inventories | | 4,587 | 4,443 |
| Trade and bills receivables | <i>11</i> | 23,079 | 23,268 |
| Prepayments, deposits and other receivables | | 17,303 | 20,339 |
| Pledged bank deposit | | 8,060 | 14,925 |
| Bank and cash balances | | 99,503 | 77,688 |
| | | <hr/> 152,532 | <hr/> 140,663 |
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 27,308 | 29,014 |
| Tax payable | | 1,187 | 2,835 |
| Lease liabilities and finance lease payable | | 1,748 | 128 |
| | | <hr/> 30,243 | <hr/> 31,977 |
| Net current assets | | <hr/> 122,289 | <hr/> 108,686 |
| Total assets less current liabilities | | <hr/> 128,136 | <hr/> 112,223 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,446 | 134 |
| Deferred tax liability | | 160 | 176 |
| | | <hr/> 1,606 | <hr/> 310 |
| NET ASSETS | | <hr/> 126,530 | <hr/> 111,913 |
| Capital and reserves | | | |
| Share capital | <i>13</i> | 5,000 | 5,000 |
| Reserves | | 121,530 | 106,913 |
| | | <hr/> 126,530 | <hr/> 111,913 |
| TOTAL EQUITY | | <hr/> 126,530 | <hr/> 111,913 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 November 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong. The shares of the Company (the "Shares") have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 May 2017 (stock code: 8183) and transferred its listing to the Main Board of the Stock Exchange on 12 December 2019 (stock code: 3860) (the "Transfer of Listing").

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (the "HKFRS"), Hong Kong Accounting Standards (the "HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

The impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") on the Group's financial information and the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and Hong Kong (IFRIC) Interpretation 4 “Determining whether an Arrangement contains a Lease”.

As a lessee, the Group’s leases are mainly rentals of offices and leasehold lands. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

| | As at 1 April 2019 <i>HK\$’000</i> |
|---------------------------------|--|
| Increase in right-of-use assets | 3,183 |
| Increase in lease liabilities | <u>3,183</u> |

The operating lease commitments disclosed as at 31 March 2019 were HK\$3,928,000, while the lease liabilities recognised as at 1 April 2019 were HK\$3,183,000 of which HK\$1,074,000 were current lease liabilities and HK\$2,109,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee’s incremental borrowing rate of 4.06% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

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

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

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

Consolidation

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

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

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

(c) *Translation on consolidation*

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

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

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

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

4. REVENUE

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Fashion trading | 537,408 | 433,004 |

Disaggregation of revenue from contracts with customers

Geographical information

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Geographical markets | | |
| Japan | 286,732 | 274,815 |
| United States of America (the "USA") | 140,933 | 85,750 |
| Europe | 69,029 | 38,001 |
| Hong Kong | 33,075 | 27,183 |
| Others | 7,639 | 7,255 |
| | <hr/> | <hr/> |
| Total | 537,408 | 433,004 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Major products | | |
| Womenswear | 373,688 | 269,261 |
| Menswear | 112,122 | 74,759 |
| Kidswear | 51,598 | 88,984 |
| | <hr/> | <hr/> |
| Total | 537,408 | 433,004 |
| | <hr/> <hr/> | <hr/> <hr/> |

Timing of revenue recognition

For the years ended 31 March 2020 and 2019, all revenues were recognised at a point in time.

Sales of garments

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

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

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

5. OTHER INCOME

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Sample sales income | 1,028 | 1,250 |
| Loss on exchange difference, net | (19) | (595) |
| | <u>1,009</u> | <u>655</u> |

6. SEGMENT INFORMATION

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

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

Geographical information:

All revenue for the years ended 31 March 2020 and 2019, were revenue derived from contracts with customers, the geographical information of revenue could be referred to note 4 to the consolidated financial statements in this announcement.

Geographical markets

| | Non-current assets | |
|-----------|-------------------------|-------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Hong Kong | 4,898 | 3,537 |
| Japan | 949 | – |
| | <u>5,847</u> | <u>3,537</u> |

Revenue from major customers:

Revenue from customers individually contributed over 10% of the total revenue of the Group for each of the two years ended 31 March 2020 are as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Customer A | 223,833 | 134,846 |
| Customer B | 131,896 | 131,831 |
| Customer C | 67,315 | 53,454 |
| Customer D* | N/A | 47,489 |

* Revenue from this customer did not exceed 10% of total revenue for the year ended 31 March 2020.

7. INCOME TAX EXPENSE

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax: | | |
| Hong Kong Profits Tax | | |
| – Current year | 5,093 | 5,216 |
| Enterprise Income Tax (the “EIT”) of People’s Republic of China (the “PRC”) | | |
| – Current year | 43 | 90 |
| – Over-provision in prior year | (55) | – |
| | 5,081 | 5,306 |
| Deferred tax (credit) expense | (16) | 183 |
| | 5,065 | 5,489 |

For the years ended of 31 March 2020 and 2019, Hong Kong Profits Tax is calculated under two-tier profits tax system under first HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and remaining estimated assessable profits is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

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

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

No provision for Japan corporate income tax has been made for the years ended 31 March 2020 and 2019 as the Group did not generate any assessable profits during the year.

The Group is subject to national corporate income tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the years ended 31 March 2020 and 2019.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Staff costs (including Directors' remuneration): | | |
| – Salaries and other benefits | 22,369 | 22,877 |
| – Retirement benefit scheme contributions | 732 | 897 |
| | 23,101 | 23,774 |
| Auditor's remuneration | 500 | 500 |
| Depreciation of property, plant and equipment | 1,042 | 1,084 |
| Depreciation of right-of-use assets | 1,165 | – |
| Net foreign exchange loss | 19 | 595 |
| Cost of inventories sold | 445,207 | 349,535 |
| Operating lease charges | 500 | 1,777 |
| Commission expenses (included in selling and distribution expenses) | 5,989 | 4,339 |
| Sample charges (included in selling and distribution expenses) | 15,623 | 8,667 |

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: 1.6 HK cents per share). Dividend of HK\$8,000,000 was approved and paid during the year ended 31 March 2020 (2019: HK\$7,500,000).

10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$22,735,000 (2019: approximately HK\$27,234,000) and the weighted average number of ordinary shares of 500,000,000 (2019: 500,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2020 and 2019.

11. TRADE AND BILLS RECEIVABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 17,981 | 9,237 |
| Bills receivables | 5,098 | 14,031 |
| | <u>23,079</u> | <u>23,268</u> |

No allowance for bad and doubtful debt was provided for the years ended 31 March 2020 and 2019 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

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

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1 – 30 days | 18,152 | 20,122 |
| 31 – 60 days | 63 | 28 |
| 61 – 90 days | 3,932 | 3,076 |
| Over 90 days | 932 | 42 |
| | <u>23,079</u> | <u>23,268</u> |

12. TRADE AND OTHER PAYABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Trade payables | 23,084 | 25,554 |
| Accrued subcontracting charges | 1,060 | 513 |
| Accrued staff costs | 503 | 528 |
| Accrued expenses | 1,601 | 1,368 |
| Other payables | 1,060 | 1,051 |
| | <u>27,308</u> | <u>29,014</u> |

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1 – 30 days | 16,938 | 18,193 |
| 31 – 60 days | 4,018 | 4,430 |
| 61 – 90 days | 1,652 | 2,062 |
| Over 90 days | 476 | 869 |
| | <u>23,084</u> | <u>25,554</u> |

13. SHARE CAPITAL

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

| | Number of shares | Share capital <i>HK\$'000</i> |
|--|----------------------|----------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: At 31 March 2019 and 31 March 2020 | <u>1,000,000,000</u> | <u>10,000</u> |
| Issued and fully paid: At 31 March 2019 and 31 March 2020 | <u>500,000,000</u> | <u>5,000</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells 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. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and the USA, which their products are marketed and sold under their own brands. The Group does not possess its own label. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC, Thailand and Cambodia.

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

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$537.4 million for the year ended 31 March 2020, representing an increase of approximately 24.1% as compared to approximately HK\$433.0 million for the year ended 31 March 2019. The increase in revenue of the Group was primarily attributable to (i) the substantial increase in purchase orders from a major customer headquartered in the USA which commenced generating revenue to the Group since August 2018; and (ii) the increase in purchase orders from customers based in Japan. The Group's gross profit increased by approximately HK\$8.7 million or 10.5% to approximately HK\$92.2 million for the year ended 31 March 2020 from approximately HK\$83.5 million for the year ended 31 March 2019. Such increase in gross profit of the Group was mainly attributable to an increase in sales of knitwear products to a major customer headquartered in the USA. The overall gross profit margin of the Group decreased to approximately 17.2% for the year ended 31 March 2020 from approximately 19.3% for the year ended 31 March 2019. Such decrease in the Group's gross profit margin was mainly attributable to better pricing offered by the Group in return receiving greater portion of purchase orders from its customers. The Group's total comprehensive income attributable to owners of the Company was decreased to approximately HK\$22.6 million for the year ended 31 March 2020 from approximately HK\$27.1 million for the year ended 31 March 2019, representing a decrease of approximately HK\$4.5 million or 16.6%. If the non-recurring professional fee in relation to the Transfer of Listing of approximately HK\$5.1 million for the year ended 31 March 2020 were excluded, the Group's

adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2020 would have been approximately HK\$27.8 million, representing a slight increase of approximately 2.4% as compared to the total comprehensive income attributable to owners of the Company for the year ended 31 March 2019 despite of the continuing challenges and uncertainties in the global economy and trading environment.

The Shares were successfully transferred its listing from GEM to the Main Board of the Stock Exchange on 12 December 2019. 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 developments, and is in the overall interest of the Company as it will create a long-term value to its shareholders as a whole. In addition, the Board also believes that the Transfer of Listing will (i) enhance the profile and promote market recognition of the Company amongst public investors, its existing and potential customers (such as large apparel brands and sourcing agents of apparel brands) which will, in turn, have a positive impact on its business developments and strengthen the confidence of its stakeholders; (ii) reinforce confidence of existing and potential customers and suppliers in the financial strength, corporate governance and credibility of the Group because in general, Main Board is perceived to be a more prestige status for listed companies and has more stringent requirements for listing as compared to GEM. This might be advantageous for the Group when negotiating contractual terms for its sales and purchases; and (iii) promote the corporate image of the Group, as such, it would be easier to retain and recruit experienced staff and to attract new customers.

FINANCIAL REVIEW

Revenue

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the year ended 31 March 2020, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 69.5% (for the year ended 31 March 2019: approximately 62.2%) of the Group's total revenue for the year ended 31 March 2020. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2020:

| | Year ended 31 March | | | | Rate of change % |
|---------------|---------------------|--------------|----------|-------|------------------------|
| | 2020 | | 2019 | | |
| | HK\$'000 | % | HK\$'000 | % | |
| Womenswear | 373,688 | 69.5 | 269,261 | 62.2 | 38.8 |
| Menswear | 112,122 | 20.9 | 74,759 | 17.3 | 50.0 |
| Kidswear | 51,598 | 9.6 | 88,984 | 20.5 | (42.0) |
| Total revenue | 537,408 | 100.0 | 433,004 | 100.0 | 24.1 |

During the year ended 31 March 2020, the sales volume of the Group amounted to approximately 8.9 million pieces (for the year ended 31 March 2019: approximately 6.8 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two years ended 31 March 2020:

| | Year ended 31 March | | | | Rate of change % |
|----------------------|----------------------|--------------|----------------------|-------|---------------------|
| | 2020 | | 2019 | | |
| | <i>Pieces ('000)</i> | % | <i>Pieces ('000)</i> | % | |
| Womenswear | 5,990 | 67.3 | 4,395 | 64.6 | 36.3 |
| Menswear | 2,022 | 22.7 | 1,058 | 15.6 | 91.1 |
| Kidswear | 890 | 10.0 | 1,349 | 19.8 | (34.0) |
| Total sales quantity | 8,902 | 100.0 | 6,802 | 100.0 | 30.9 |

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2020:

| | Year ended 31 March | | |
|---|--|--|----------------|
| | 2020 | 2019 | Rate of change |
| | Average selling price ^(Note) <i>HK\$</i> | Average selling price ^(Note) <i>HK\$</i> | % |
| Womenswear | 62.4 | 61.3 | 1.8 |
| Menswear | 55.5 | 70.7 | (21.5) |
| Kidswear | 58.0 | 66.0 | (12.1) |
| Overall average selling price per piece | 60.4 | 63.7 | (5.2) |

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

The Group's revenue increased by approximately 24.1%, or approximately HK\$104.4 million, from approximately HK\$433.0 million for the year ended 31 March 2019 to approximately HK\$537.4 million for the year ended 31 March 2020. The increase in revenue was primarily attributable to the substantial increase in purchase orders of the Group from a major customer headquartered in the USA and other customers based in Japan.

Womenswear

During the year ended 31 March 2020, the Group's revenue was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products increased by approximately HK\$104.4 million or 38.8%, from approximately HK\$269.3 million for the year ended 31 March 2019 to approximately HK\$373.7 million for the year ended 31 March 2020. Such increase was mainly attributable to the increase in sales quantity from approximately 4.4 million pieces for the year ended 31 March 2019 to approximately 6.0 million pieces for the year ended 31 March 2020 coupled with the slight increase in average selling price per piece of womenswear products from approximately HK\$61.3 for the year ended 31 March 2019 to approximately HK\$62.4 for the year ended 31 March 2020.

Menswear

The Group's revenue derived from the sales of menswear products increased significantly by approximately HK\$37.4 million or 50.0%, from approximately HK\$74.8 million for the year ended 31 March 2019 to approximately HK\$112.1 million for the year ended 31 March 2020. Such significant increase was mainly attributable to the significant increase in sales quantity from approximately 1.1 million pieces for the year ended 31 March 2019 to approximately 2.0 million pieces for the year ended 31 March 2020, which outweighs the decrease in average selling price per piece of menswear products from approximately HK\$70.7 for the year ended 31 March 2019 to approximately HK\$55.5 for the year ended 31 March 2020 further due to the fact that the Group was willing to offer lower prices for orders in bulk volume.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately HK\$37.4 million or 42.0% to approximately HK\$51.6 million for the year ended 31 March 2020 from approximately HK\$89.0 million for the year ended 31 March 2019. The decrease in the revenue of the Group's kidswear products was primarily attributable to (i) the decrease in sales volume of the Group's kidswear products from approximately 1.3 million pieces for the year ended 31 March 2019 to approximately 0.9 million pieces for the year ended 31 March 2020 as a result of a decrease in purchase orders of kidswear products from a major customer headquartered in the USA; and (ii) the decrease in average selling price per piece of the kidswear products from approximately HK\$66.0 for the year ended 31 March 2019 to approximately HK\$58.0 for the year ended 31 March 2020.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges. The cost of sales increased to approximately HK\$445.2 million for the year ended 31 March 2020 from approximately HK\$349.5 million for the year ended 31 March 2019, representing an increase of approximately 27.4%. The increase of the Group's cost of sales was in line with the increase in the Group's revenue of approximately 24.1% for the year ended 31 March 2020.

Gross profit and gross profit margins

The Group's gross profit increased to approximately HK\$92.2 million for the year ended 31 March 2020 from approximately HK\$83.5 million for the year ended 31 March 2019, representing an increase of approximately 10.5%. The increase in gross profit of the Group was primarily attributable to the increase in purchase orders from a major customer headquartered in the USA. The Group's gross profit margin decreased to approximately 17.2% for the year ended 31 March 2020 from approximately 19.3% for the year ended 31 March 2019. Such decrease in the Group's gross profit margin was mainly attributable to better pricing offered by the Group for the spring and summer knitwear products in return received a greater portion of purchase orders from its customers. Despite the continuing challenges and uncertainties in the global business environment, the Group recorded an increase in its revenue and in return increased the gross profit of the Group for the year ended 31 March 2020. The Group endeavoured to enhance its competitive capability whilst offering satisfactory supply chain management total solutions to its customers.

Interest income

The Group's interest income decreased by approximately HK\$0.3 million or approximately 59.9% from approximately HK\$0.5 million for the year ended 31 March 2019 to approximately HK\$0.2 million for the year ended 31 March 2020.

Other income

Other income mainly consists of sample sales income and exchange gain/loss. The Group's other income increased to approximately HK\$1.0 million for the year ended 31 March 2020 from approximately HK\$0.7 million for the year ended 31 March 2019, representing an increase of approximately 54.0%. The increase was mainly attributable to the decrease in an exchange loss of the Group to a minimal amount for the year ended 31 March 2020 from approximately HK\$0.6 million for the year ended 31 March 2019, which mitigated the decrease in sample sales income for the year ended 31 March 2020.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased to approximately HK\$36.7 million for the year ended 31 March 2020 from approximately HK\$27.8 million for the year ended 31 March 2019, representing an increase of approximately 32.1%. Such significant increase was mainly attributable to an increase in (i) sample costs; (ii) commission expenses; and (iii) logistic expenses, which were increased in line with the increase of the Group's revenue.

Administrative expenses

Administrative expenses primarily consist of audit fees, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses decreased to approximately HK\$23.6 million for the year ended 31 March 2020 from approximately HK\$24.0 million for the year ended 31 March 2019, representing a slight decrease of approximately 1.6%. Such slight decrease was mainly attributable to the decrease in staff costs and benefits of general and administrative staff for the year ended 31 March 2020.

Professional fee in relation to the Transfer of Listing

There was approximately HK\$5.1 million non-recurring professional fee in relation to the Transfer of Listing recognised for the year ended 31 March 2020 whilst there was nil such expense recognised for the year ended 31 March 2019.

Finance costs

The Group's finance cost remained stable at approximately HK\$0.1 million for the year ended 31 March 2020 as compared to the finance cost for the year ended 31 March 2019.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company decreased to approximately HK\$22.6 million for the year ended 31 March 2020 from approximately HK\$27.1 million for the year ended 31 March 2019, representing a decrease of approximately HK\$4.5 million or 16.6%. If the non-recurring professional fee in relation to the Transfer of Listing of approximately HK\$5.1 million for the year ended 31 March 2020 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2020 would have been approximately HK\$27.8 million, representing a slight increase of approximately 2.4% as compared to the total comprehensive income attributable to owners of the Company for the year ended 31 March 2019.

BASIC EARNINGS PER SHARE

The Company's basic earnings per share for the year ended 31 March 2020 was approximately 4.5 HK cents (for the year ended 31 March 2019: approximately 5.4 HK cents), representing a decrease of approximately 0.9 HK cents, or 16.7%, which is in line with the profit for the year attributable to owners of the Company, as compared to the year ended 31 March 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (for the year ended 31 March 2019: 1.6 HK cents per share).

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2020, the Group's operations were generally financed through its internally generated cash flows, the Net Proceeds and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2020 and 2019, the Group had net current assets of approximately HK\$122.3 million and HK\$108.7 million, respectively, including bank and cash balances of approximately HK\$99.5 million and HK\$77.7 million, respectively. The Group's current ratio increased from approximately 4.4 as at 31 March 2019 to approximately 5.0 as at 31 March 2020. Such increase was mainly as a result of an increase in bank and cash balances as at 31 March 2020.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year, lease liabilities and finance lease payable) divided by total equity at the respective reporting date. As at 31 March 2020 and 2019, the Group's gearing ratio was nil, respectively, as there were full repayment of bank borrowings and the amount of lease liabilities and finance lease payable is relatively insignificant for both years. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances, and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is taken to recover overdue debts and reduce the Group's exposure to credit risk. As at 31 March 2020, the Group had concentration of credit risk approximately 92.0% (as at 31 March 2019: approximately 88.0%) of the total trade and bills receivables due from the Group's five largest customers. The Group normally grants an average credit period of 30 to 90 days to these customers. Most of these

counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

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

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the year ended 31 March 2020. The share capital of the Company only comprises ordinary shares.

As at 31 March 2020, the Company's issued share capital amounting to HK\$5.0 million divided by 500,000,000 shares of HK\$0.01 each.

Details of changes in the Company's share capital for the year ended 31 March 2020 are set out in note 13 to the consolidated financial statements in this announcement.

SIGNIFICANT INVESTMENTS

As at 31 March 2020 and 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2020, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have material contingent liabilities and capital commitments as at 31 March 2020 (as at 31 March 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

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

| | As at 31 March | |
|----------------------|-----------------------|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Pledged bank deposit | 8,060 | 14,925 |

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 57 full-time employees (as at 31 March 2019: 61). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2020 and 2019, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$23.1 million and HK\$23.8 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. Share options may also be granted to the Directors and senior management under the share option scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2020, the Group mainly carries out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC.

ENVIRONMENTAL POLICY

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

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 1 to 12 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement between the employees, the customers and the suppliers of the Group.

USE OF PROCEEDS

The Net Proceeds raised from the Share Offer of approximately HK\$35.9 million was lower than the estimated amount as stated in the Prospectus. The Group adjusted the Net Proceeds in the same manner and in the same proportion as stated in the Prospectus accordingly. As at 31 March 2020, the Net Proceeds had been fully utilised in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

The following table sets forth an analysis of the utilisation of Net Proceeds up to the year ended 31 March 2020:

| | Adjusted planned use of Net Proceeds as stated in the Prospectus up to 31 March 2020 <i>HK\$ million</i> | Actual use of Net Proceeds up to 31 March 2020 <i>HK\$ million</i> |
|--|---|---|
| Strengthening and diversifying the Group's customers base | 4.8 | 4.8 |
| Further expanding the Group's product mix to cater to the customers' need | 9.6 | 9.6 |
| Enhancing the Group's design and development capabilities | 7.3 | 7.4 |
| Enhancing the Group's inventory management to strengthen operational efficiency | <u>14.2</u> | <u>14.2</u> |
| Total | <u><u>35.9</u></u> | <u><u>36.0</u></u> |

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

FUTURE PROSPECTS

The trade war (the "Trade War") tensions and disputes between the PRC and the USA seems no sign to an end. A protracted Trade War has hampered on global economic sentiments and trading activities which negatively impacted the global consumption value chain including the apparel industry and may cause further downside risk to global economic outlook. Should the Trade War continues, the purchase orders from the major customer headquartered in the USA may be reduced or terminated entirely. There is no assurance that the Group will be able to secure new business from other customers for replacement. Nevertheless, in order to mitigate the risks resulting from the Trade War, including possible loss of the major customer headquartered in the USA and possible lowering of the average selling price offered to customers in the USA, the Group considered to take steps of (i) continuing and/or expanding business relationships 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 the major customer headquartered in the USA as approved suppliers.

The COVID-19 pandemic has caused severe disruption to economic activities worldwide and caused significant uncertainties in the current business environment. Amid the challenges and uncertainties of the COVID-19 pandemic, it is expected that there will be material adverse changes in the financial and operational conditions of the customers, and thus, demands for the Group's products may drop significantly, which could adversely affect the operating results of the Group in the forthcoming year. The Board will continue to assess the impact of the COVID-19 pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection therewith. The Group will take appropriate measures to adapt to the challenging environment when necessary including but not limited to cost control measures to reduce the operating costs of the Group.

Looking ahead, the Group will continue to develop and create more promotion samples to cater to the existing and potential customers' needs. The Group will actively promote its products in various ways including (i) display and promote sample products in showroom in Japan and in Hong Kong during customers' visits; (ii) e-promotion via online platforms tailored for individual customers; and (iii) arranging sales visits and co-organising private exhibitions should a COVID-19 vaccine be developed in due course. The Group will continue to work 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. The Directors believe that regular communications with the Group's customers allows the Group to better understand their needs and requirements, which in turn will strengthen the relationships between the Group and its customers.

The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors will also continue to explore opportunities to diversify the Group's operations so that the customer base of the Group could be further strengthened and diversified.

OTHER INFORMATION

Corporate Governance Practices

The Board recognises that the transparency and accountability are important to a listed company. As such, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and healthy corporate culture in return for the benefits of the Company's stakeholders as a whole.

The Company has adopted the provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

During the reporting period, the Group has complied with all the code provisions of the CG Code save as the deviation from the code provision A.2.1 of the CG Code. Mr. Chan is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Chan is beneficial to the management and the business developments of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the year ended 31 March 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2020.

Directors' Interests in Competing Businesses

During the year ended 31 March 2020, none of the Directors or any of their respective close associates (as defined in the Listing Rules), engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"), the Company has appointed Messis Capital Limited ("**Messis**") to be the compliance adviser. As informed by Messis, neither Messis nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Messis dated 15 May 2017.

Events After the Reporting Period

COVID-19 pandemic had caused severe disruption to economic activities worldwide and caused significant uncertainties in the current business environment. The Directors had been closely monitoring the developments of COVID-19 pandemic and expect that there will be material adverse changes in the financial and operational conditions of the customers, and thus, demands for the Group's products may drop significantly, which could adversely affect the operating results of the Group in the forthcoming year. Up to the date of this announcement, the Board is still in a position of assessing and evaluating the impacts of COVID-19 to the financial position and operating results of the Group.

Save as disclosed above, the Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this announcement.

Closure of Register of Members

For determining shareholders' entitlement to attend and vote at the annual general meeting ("AGM"), the transfer books and the register of members of the Company will be closed from Monday, 10 August 2020 to Thursday, 13 August 2020 (both days inclusive), during which period no transfer of Shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 7 August 2020.

Audit Committee

The audit committee (the "**Audit Committee**") of the Company was established with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3 of the CG Code. The primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company's financial information; (ii) overseeing the Group's financial reporting system, risk management and internal control systems; (iii) reviewing and monitoring the effectiveness of the scope of audit; and (iv) making recommendations to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this announcement and the audited consolidated results of the Group for the year ended 31 March 2020.

Scope of Work of Zhonghui Anda CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the annual results announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by The Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the annual results announcement.

Publication of the Annual Results Announcement and Annual Report for the Year Ended 31 March 2020 on the Websites of the Stock Exchange and the Company

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.speedapparel.com.hk>. The annual report of the Company for the year ended 31 March 2020 will be despatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 18 June 2020

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.