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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2020, unaudited operating results of the Group are as follows:

- Revenue of approximately HK\$206.3 million was recorded for the six months ended 30 September 2020;
- Profit after taxation for the six months ended 30 September 2020 amounted to approximately HK\$4.4 million;
- Basic earnings per share for the six months ended 30 September 2020 based on weighted average number of 500,000,000 ordinary shares of the Company was approximately 0.9 HK cents; and
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

INTERIM RESULTS

The board (the “**Board**”) of Directors (the “**Directors**”) of Speed Apparel Holding Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	206,332	302,664
Cost of sales		<u>(179,487)</u>	<u>(249,084)</u>
Gross profit		26,845	53,580
Interest income		170	79
Other income	5	1,049	774
Selling and distribution expenses		(13,074)	(17,660)
Administrative expenses		(9,945)	(11,332)
Professional fee in relation to the Transfer of Listing		–	(2,365)
Finance costs		<u>(68)</u>	<u>(83)</u>
Profit before taxation		4,977	22,993
Income tax expense	6	<u>(530)</u>	<u>(4,258)</u>
Profit for the period	8	<u>4,447</u>	<u>18,735</u>
Other comprehensive income (expense)			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>24</u>	<u>(132)</u>
Total comprehensive income for the period			
attributable to owners of the Company		<u>4,471</u>	<u>18,603</u>
		<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share for the period attributable to owners of the Company	9	<u>0.9</u>	<u>3.7</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020 <i>HK\$'000</i> (unaudited)	31 March 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		2,797	2,838
Right-of-use assets		2,963	3,009
		<u>5,760</u>	<u>5,847</u>
Current assets			
Inventories		13,932	4,587
Trade and bills receivables	10	116,966	23,079
Prepayments, deposits and other receivables		30,703	17,303
Pledged bank deposit		8,121	8,060
Bank and cash balances		34,788	99,503
		<u>204,510</u>	<u>152,532</u>
Current liabilities			
Trade and other payables	11	75,615	27,308
Tax payable		419	1,187
Lease liabilities and finance lease payable		2,371	1,748
		<u>78,405</u>	<u>30,243</u>
Net current assets		<u>126,105</u>	122,289
Total assets less current liabilities		<u>131,865</u>	128,136
Non-current liabilities			
Lease liabilities		725	1,446
Deferred tax liability		139	160
		<u>864</u>	<u>1,606</u>
NET ASSETS		<u>131,001</u>	<u>126,530</u>
Capital and reserves			
Share capital	12	5,000	5,000
Reserves		126,001	121,530
TOTAL EQUITY		<u>131,001</u>	<u>126,530</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is situated at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in provision of apparel supply chain management services selling knitwear apparel products to its customers. The immediate and ultimate holding company of the Company is Speed Development Co. Ltd (“**Speed Development**”), a company with limited liability incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling party of the Group is Mr. Chan Wing Kai (“**Mr. Chan**”).

The condensed consolidated financial statements for the six months ended 30 September 2020 are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company, United States dollars (“**US\$**”). The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders of the Company and investors.

The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 May 2017 (stock code: 8183) and subsequently transferred its listing (the “**Transfer of Listing**”) to the Main Board of the Stock Exchange on 12 December 2019 (stock code: 3860).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Interim Financial Statements does not include all of the information and disclosures required in annual financial statements prepared in accordance with HKFRSs, which comprises all applicable individual HKFRSs and interpretations issued by HKICPA, and the Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2020.

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

The preparation of the Interim Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management of the Company in applying the relevant accounting policies and the key sources of estimation uncertainty of the Group were the same as those that applied to its annual financial statements for the year ended 31 March 2020.

3. ADOPTION OF NEW AND REVISED HKFRSs

Save as the adoption of new and revised HKFRSs issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2020, the accounting policies applied in preparing the Interim Financial Statements are consistent with those of the annual financial statements of the Group for the year ended 31 March 2020, as disclosed in the Company's annual report for the year ended 31 March 2020. The Directors anticipate that the application of these new and revised HKFRSs will not materially impact on the Interim Financial Statements. The Group has not early adopted any new and revised HKFRSs that have been issued by HKICPA but are not yet effective.

4. REVENUE

Disaggregation of revenue from contracts with customers:

Geographical information

The followings are analysis of the Group's revenue by geographical markets of customers and product categories, respectively:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Geographical markets	(unaudited)	(unaudited)
Japan	102,020	141,966
The United States of America	64,884	97,509
Europe	29,899	47,037
Hong Kong	7,567	14,017
Others (<i>Note</i>)	1,962	2,135
	<hr/>	<hr/>
Total revenue	206,332	302,664
	<hr/> <hr/>	<hr/> <hr/>

Note: Others comprise The People's Republic of China (the "PRC") excluding Hong Kong, Dubai, Mexico and Korea.

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Major products	(unaudited)	(unaudited)
Womenswear	137,548	201,143
Menswear	45,053	73,626
Kidswear	20,287	27,895
Others ⁽¹⁾	3,444	—
	<hr/>	<hr/>
Total revenue	206,332	302,664
	<hr/> <hr/>	<hr/> <hr/>

⁽¹⁾ Others include knitted facial masks and hats.

Timing of revenue recognition

For the six months ended 30 September 2020 and 2019, all revenues were recognised at a point in time, respectively.

Sales of garments

The Group sells garments to its 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 customer's acceptance of the products and 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 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

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government grants	1,431	–
Sample sales income	293	508
(Loss) gain on exchange difference, net	(675)	266
Total other income	1,049	774

6. INCOME TAX EXPENSE

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
Current period	<u>549</u>	<u>4,291</u>
PRC Enterprise Income Tax (“EIT”)		
Current period	33	–
Overprovision in prior year	<u>(30)</u>	<u>(56)</u>
	<u>3</u>	<u>(56)</u>
Deferred tax (credit) expense	<u>(22)</u>	<u>23</u>
Total income tax expense	<u><u>530</u></u>	<u><u>4,258</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

A subsidiary of the Company in Japan is subject to national corporate tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.36% for the six months ended 30 September 2020 and approximately 21.42% for the six months ended 30 September 2019, respectively. No provision for Japan corporate income tax has been made for the six months ended 30 September 2020 and 2019.

7. DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

No dividends approved and paid during the six months ended 30 September 2020 (for the six months ended 30 September 2019: HK\$8.0 million).

8. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including Directors' remuneration):		
Fees	180	180
Salaries and other benefits	9,990	10,747
Retirement benefit scheme contributions	521	401
	<hr/>	<hr/>
Total employee benefits expenses	10,691	11,328
	<hr/>	<hr/>
Auditor's remuneration	250	250
Depreciation of property, plant and equipment	480	550
Depreciation of right-of-use assets	918	562
Net foreign exchange losses (gains)	675	(266)
Cost of inventories recognised as cost of sales	179,487	249,084
Commission expenses (included in selling and distribution expenses)	2,597	4,035
Sample charges (included in selling and distribution expenses)	4,226	6,185

9. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	4,447	18,735
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	500,000	500,000
	HK cents	HK cents
Basic earnings per share for the period attributable to owners of the Company	0.9	3.7

No diluted earnings per share is presented for the six months ended 30 September 2020 and 2019 as there were no potential dilutive ordinary shares outstanding during the respective periods.

10. TRADE AND BILLS RECEIVABLES

No allowance for bad and doubtful debt was provided for the six months ended 30 September 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:

	As at	As at
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
1 – 30 days	57,484	18,152
31 – 60 days	42,088	63
61 – 90 days	13,548	3,932
Over 90 days	3,846	932
	116,966	23,079

11. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	65,716	23,084
Accruals and other payables	9,899	4,224
	<u>75,615</u>	<u>27,308</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
1 – 30 days	44,518	16,938
31 – 60 days	20,732	4,018
61 – 90 days	65	1,652
Over 90 days	401	476
	<u>65,716</u>	<u>23,084</u>

12. SHARE CAPITAL

Details of share capital of the Company during the reporting period are as follows:

	Number of shares '000	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020 (audited) and at 30 September 2020 (unaudited)	<u>1,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2020 (audited) and at 30 September 2020 (unaudited)	<u>500,000</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 products. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and the United States of America (the "USA"), which their products are marketed and sold under their own brands. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC, Thailand and/or Cambodia.

The shares of the Company were listed on GEM of the Stock Exchange on 31 May 2017 (stock code: 8183) and subsequently transferred its listing to the Main Board of the Stock Exchange on 12 December 2019 (stock code: 3860).

BUSINESS REVIEW

The continuing global lockdown caused by COVID-19 pandemic materially adversely affecting retail markets for apparel including the USA and Japan where the major customers of the Group are located at. Demands in the Group's products dropped significantly which led to a significant decrease in revenue and profitability of the Group for the six months ended 30 September 2020 although the management of the Group implemented various measures in response to the tough and challenging business environment. In spite of the above, the Group was able to solicit not less than three new middle to high end fashion brands which generally has higher profit margin as compared to low end fashion brands during the six months ended 30 September 2020. Further, the Group expanded its PRC office to facilitate the production management of the Group's products and adapt to the specific requirements from customers of the Group.

The Group recorded revenue of approximately HK\$206.3 million for the six months ended 30 September 2020, representing a decrease of approximately 31.8% as compared to approximately HK\$302.7 million for the six months ended 30 September 2019. The Group's gross profit for the six months ended 30 September 2020 amounted to approximately HK\$26.8 million (for the six months ended 30 September 2019: approximately HK\$53.6 million). The decrease in revenue and gross profit of the Group was mainly attributable to the substantial decrease in purchase orders from a major customer headquartered in the USA and from customers of the Group in Japan due to the weak consumer sentiment caused by COVID-19 pandemic. The overall gross profit margin of the Group decreased to approximately 13.0% for the six months ended 30 September 2020 from approximately 17.7% for the six months ended 30 September 2019. Such decrease in the Group's

gross profit margin was mainly attributable to the competitive pricing offered by the Group to a major customer headquartered in the USA whilst the gross profit margin of the Group's customers in Japan for the six months ended 30 September 2020 remain stable as compared to that for the six months ended 30 September 2019. The Group's total comprehensive income attributable to owners of the Company was decreased significantly by approximately 76.0% from approximately HK\$18.6 million for the six months ended 30 September 2019 to approximately HK\$4.5 million for the six months ended 30 September 2020.

FINANCIAL REVIEW

Revenue

The Group's knitwear products are divided into four categories, namely womenswear products, menswear products, kidswear products and other products such as knitted facial masks and hats. During the six months ended 30 September 2020, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 66.7% (for the six months ended 30 September 2019: approximately 66.5%) of the Group's total revenue. The following table sets out a breakdown of the Group's revenue by product categories for each of the reporting period:

	Six months ended 30 September				Percentage of change %
	2020		2019		
	<i>HK\$'000</i> (unaudited)	%	<i>HK\$'000</i> (unaudited)	%	
Womenswear	137,548	66.7	201,143	66.5	(31.6)
Menswear	45,053	21.8	73,626	24.3	(38.8)
Kidswear	20,287	9.8	27,895	9.2	(27.3)
Others	3,444	1.7	–	–	–
Total revenue	<u>206,332</u>	<u>100.0</u>	<u>302,664</u>	<u>100.0</u>	(31.8)

During the six months ended 30 September 2020, the sales volume of the Group amounted to approximately 3.5 million pieces (for the six months ended 30 September 2019: approximately 5.1 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Six months ended 30 September				Percentage of change %
	2020		2019		
	Pieces		Pieces		
	'000	%	'000	%	
	(unaudited)		(unaudited)		
Womenswear	2,162	62.6	3,286	64.2	(34.2)
Menswear	817	23.7	1,318	25.7	(38.0)
Kidswear	361	10.5	516	10.1	(30.0)
Others	111	3.2	–	–	–
Total sales quantity	<u>3,451</u>	<u>100.0</u>	<u>5,120</u>	<u>100.0</u>	(32.6)

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

	Six months ended			Percentage of change %	
	30 September				
	2020	2019			
	Average	Average			
	selling price ^(Note)	selling price ^(Note)			
	HK\$	HK\$			
	(unaudited)		(unaudited)		
Womenswear	63.6	61.2		3.9	
Menswear	55.1	55.9		(1.4)	
Kidswear	56.2	54.1		3.9	
Others	31.0	–		–	
Overall average selling price per piece	59.8	59.1		1.2	

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

The Group's revenue decreased by approximately HK\$96.3 million, or 31.8%, from approximately HK\$302.7 million for the six months ended 30 September 2019 to approximately HK\$206.3 million for the six months ended 30 September 2020. The decrease in revenue was primarily attributable to the decrease in purchase orders of the Group from a major customer headquartered in the USA and other customers based in Japan.

Womenswear

During the six months ended 30 September 2020, revenue derived from the sales of womenswear products decreased by approximately HK\$63.6 million or 31.6%, from approximately HK\$201.1 million for the six months ended 30 September 2019 to approximately HK\$137.5 million for the six months ended 30 September 2020. Such decrease was mainly attributable to the decrease in sales quantity from approximately 3.3 million pieces for the six months ended 30 September 2019 to approximately 2.2 million pieces for the six months ended 30 September 2020, which outweighs the slight increase in average selling price per piece of womenswear products from approximately HK\$61.2 for the six months ended 30 September 2019 to approximately HK\$63.6 for the six months ended 30 September 2020.

Menswear

The Group's revenue derived from the sales of menswear products decreased by approximately HK\$28.6 million or 38.8%, from approximately HK\$73.6 million for the six months ended 30 September 2019 to approximately HK\$45.1 million for the six months ended 30 September 2020. Such decrease was mainly attributable to the decrease in sales quantity from approximately 1.3 million pieces for the six months ended 30 September 2019 to approximately 0.8 million pieces for the six months ended 30 September 2020 and the slight decrease in average selling price per piece of menswear products from approximately HK\$55.9 for the six months ended 30 September 2019 to approximately HK\$55.1 for the six months ended 30 September 2020.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately 27.3% or HK\$7.6 million to approximately HK\$20.3 million for the six months ended 30 September 2020 from approximately HK\$27.9 million for the six months ended 30 September 2019. The decrease in the revenue of the Group's kidswear products was mainly attributable to the decrease in sales volume of the Group's kidswear products from approximately 0.5 million pieces for the six months ended 30 September 2019 to approximately 0.4 million pieces for the six months ended 30 September 2020 which outweighs the slight increase in average selling price per piece of the kidswear products from approximately HK\$54.1 for the six months ended 30 September 2019 to approximately HK\$56.2 for the six months ended 30 September 2020.

Others

During the six months ended 30 September 2020, the Group further expanded its product variety to other products including but not limited to knitted facial masks and hats. The revenue derived from other products amounted to approximately HK\$3.4 million and accounted for approximately 1.7% of the total revenue of the Group for the six months ended 30 September 2020.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales decreased to approximately HK\$179.5 million for the six months ended 30 September 2020 from approximately HK\$249.1 million for the six months ended 30 September 2019, representing a decrease of approximately 27.9%. The decrease of the Group's cost of sales was in line with the decrease in the Group's revenue for the six months ended 30 September 2020.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$26.8 million for the six months ended 30 September 2020 from approximately HK\$53.6 million for the six months ended 30 September 2019, representing a decrease of approximately 49.9%. The decrease in gross profit of the Group was primarily attributable to the decrease in purchase orders from a major customer headquartered in the USA and from customers of the Group in Japan as a result of adverse impact caused by COVID-19 pandemic. The Group's gross profit margin decreased to approximately 13.0% for the six months ended 30 September 2020 from approximately 17.7% for the six months ended 30 September 2019. Such decrease in the Group's gross profit margin was mainly attributable to the competitive pricing offered by the Group to a major customer headquartered in the USA whilst the gross profit margin of the Group's customers in Japan for the six months ended 30 September 2020 remain stable as compared to that for the six months ended 30 September 2019.

Interest income

The Group's interest income increased significantly by approximately HK\$0.1 million or 115.2% from approximately HK\$0.1 million for the six months ended 30 September 2019 to approximately HK\$0.2 million for the six months ended 30 September 2020.

Other income

Other income mainly consists of government grants, sample sales income and exchange gain/loss. Other income increased to approximately HK\$1.0 million for the six months ended 30 September 2020 from approximately HK\$0.8 million for the six months ended 30 September 2019. The increase in other income of the Group was primarily attributable to an approximately HK\$1.4 million of non-recurring government grants was received from the Hong Kong Government under employment

support scheme during the reporting period, which partially offset the aggregate of the decrease in sample sales income and turned around from exchange gains for the six months ended 30 September 2019 to exchange losses for the six months ended 30 September 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 decreased to approximately HK\$13.1 million for the six months ended 30 September 2020 from approximately HK\$17.7 million for the six months ended 30 September 2019, representing a decrease of approximately 26.0%. Such decrease was mainly attributable to a decrease in (i) sample costs; (ii) logistic expenses; and (iii) commission expenses, as these expenses were decreased in line with the decrease 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\$9.9 million for the six months ended 30 September 2020 from approximately HK\$11.3 million for the six months ended 30 September 2019, representing a decrease of approximately 12.2%. Such decrease was mainly attributable to the decrease in (i) staff costs and benefits of general and administrative staff; (ii) overseas and local travelling; and (iii) bank charges.

Professional fee in relation to the Transfer of Listing

There was nil non-recurring professional fee in relation to the Transfer of Listing for the six months ended 30 September 2020 whilst there was approximately HK\$2.4 million such expense recognised for the six months ended 30 September 2019.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company decreased to approximately HK\$4.5 million for the six months ended 30 September 2020 from approximately HK\$18.6 million for the six months ended 30 September 2019, representing a significant decrease of approximately 76.0%. If the non-recurring professional fee in relation to the Transfer of Listing of approximately HK\$2.4 million for the six months ended 30 September 2019 were excluded, the Group's total comprehensive income attributable to owners of the Company for the six months ended 30 September 2020 would have been decrease significantly by approximately 78.7% as compared to the adjusted total comprehensive income attributable to owners of the Company for the six months ended 30 September 2019 of approximately HK\$21.0 million.

BASIC EARNINGS PER SHARE

The Company's basic earnings per share for the six months ended 30 September 2020 was approximately 0.9 HK cents, representing a significant decrease of approximately 75.7% as compared to the basic earnings per share of approximately 3.7 HK cents for the six months ended 30 September 2019. The significant decrease in the Company's basic earnings per share for the six months ended 30 September 2020 was in line with the profit attributable to owners of the Company for the six months ended 30 September 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2020, the Group's operations were generally financed through its internally generated cash flows 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, bank borrowings and, if necessary, additional equity financing.

As at 30 September 2020 and 31 March 2020, the Group had net current assets of approximately HK\$126.1 million and HK\$122.3 million, respectively, including bank and cash balances of approximately HK\$34.8 million and HK\$99.5 million, respectively. The Group's current ratio decreased from approximately 5.0 as at 31 March 2020 to approximately 2.6 as at 30 September 2020. Such decrease was mainly due to current assets increased by approximately 34.1% whilst current liabilities significantly increased by approximately 159.3% as compared to the balances as at 31 March 2020. The significant increase in current liabilities were mainly attributable to the increase in trade and other payables.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 30 September 2020 and 31 March 2020, the Group's gearing ratio was nil and nil, respectively, as there were full repayment of bank borrowings and the amount of lease liabilities and finance lease payable were relatively insignificant for both reporting periods. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group had entered into two banking facilities agreements with the aggregate amount of approximately HK\$53.4 million. One of the banking facilities has charged over by a fixed bank deposit. The unutilised rates of banking facilities were 100.0% and 100.0% as at 30 September 2020 and 31 March 2020, respectively.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group generally grants an average credit period of 30 to 90 days to its 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 our management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the six months ended 30 September 2020. The share capital of the Company only comprises ordinary shares.

As at 30 September 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 six months ended 30 September 2020 are set out in note 12 to the Interim Financial Statements in this announcement.

SIGNIFICANT INVESTMENTS

As at 30 September 2020 and 31 March 2020, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2020, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

PLEDGE OF ASSETS

The following assets were pledged to banks to secure certain banking facilities granted to the Group:

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Pledged bank deposit	8,121	8,060

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have material contingent liabilities and capital commitments as at 30 September 2020 (as at 31 March 2020: Nil).

FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, pledged bank deposit, bank and cash balances, and 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 predominantly 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 does 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.

FUTURE PROSPECTS

COVID-19 pandemic caused severe disruptions to economic activities worldwide and significant uncertainties to the current business environment. It is expected that the global economy will further worsen to deeper downward cycle as COVID-19 pandemic was difficult to be effectively controlled in the short term especially in the USA and Europe. In this context, the Board expects demands on the Group's products to further decrease. It is expected that the financial performance and financial position of the Group to be inevitably adversely affected to a certain extent for the remaining of the financial year 2020/2021. The Board will continue to closely monitor the developments of COVID-19 pandemic and stay vigilant to its adverse impacts to the Group's operations and the

risks 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.

Trade disputes (the “**Trade War**”) between the PRC and the USA persists, which will undoubtedly further undermine global economic sentiments and the global consumption value chain including the apparel industry. Should the Trade War continues, the purchase orders from the major customer headquartered in the USA may be further reduced or terminated entirely. There is no assurance that the Group will be able to secure new business from other customers as 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.

Travel restrictions due to COVID-19 pandemic which caused the Group suspended visits and co-organise on-site sales and marketing activities with its customers such as private exhibitions to promote the Group’s products. Nevertheless, 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 but not limited to (i) display and promote sample products in showroom in Japan during customers’ visits; (ii) e-promotion via online platforms tailored for individual customers; (iii) proactively approach the potential customers through business referrals and its business network; (iv) convening frequent video conferences with existing and potential customers to explore new business opportunities; and (v) 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 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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

During the reporting period, the Group has complied with all the code provisions of the CG Code, except for 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 business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 the Directors' securities transactions. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 September 2020 which would materially affect the Group's operations and financial performance.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3 of the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Group's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the scope of audit and making recommendation to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this announcement including the unaudited interim results of the Group for the six months ended 30 September 2020 before recommending it to the Board for approval.

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

Hong Kong, 20 November 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.