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SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8183)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Speed Apparel Holding Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published on the website of the Company at www.speedapparel.com.hk.

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2019, unaudited operating results of the Group were as follows:

- Revenue of approximately HK\$51.5 million was recorded for the three months ended 30 June 2019;
- Loss after taxation for the three months ended 30 June 2019 amounted to approximately HK\$3.5 million;
- Basic loss per share for the three months ended 30 June 2019 based on weighted average number of 500,000,000 ordinary shares was approximately 0.7 HK cents; and
- The Board does not recommend the payment of interim dividend for the three months ended 30 June 2019.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2019 together with comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three months ended 30 June 2019

	<i>Notes</i>	Three months ended 30 June	
		2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue	4	51,465	17,333
Cost of sales		(43,518)	(14,530)
Gross profit		7,947	2,803
Interest income		102	157
Other income (loss)	5	255	(414)
Selling and distribution expenses		(5,178)	(4,076)
Administrative expenses		(5,533)	(5,458)
Professional fee in relation to the Proposed Transfer of Listing		(1,123)	–
Finance costs		(3)	(14)
Loss before taxation		(3,533)	(7,002)
Income tax expense	6	(9)	(5)
Loss for the period		(3,542)	(7,007)
Other comprehensive (expense) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(75)	(85)
Total comprehensive expense for the period attributable to owners of the Company		(3,617)	(7,092)
		<i>HK cents</i>	<i>HK cents</i>
Basic loss per share for the period attributable to owners of the Company	8	(0.7)	(1.4)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018 (audited)	5,000	47,656	(19,229)	4,000	86	54,778	92,291
Loss for the period	-	-	-	-	-	(7,007)	(7,007)
Exchange differences arising on the translation of foreign operations	-	-	-	-	(85)	-	(85)
Total comprehensive expense for the period	-	-	-	-	(85)	(7,007)	(7,092)
At 30 June 2018 (unaudited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>1</u>	<u>47,771</u>	<u>85,199</u>
At 1 April 2019 (audited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>(26)</u>	<u>74,512</u>	<u>111,913</u>
Loss for the period	-	-	-	-	-	(3,542)	(3,542)
Exchange differences arising on the translation of foreign operations	-	-	-	-	(75)	-	(75)
Total comprehensive expense for the period	-	-	-	-	(75)	(3,542)	(3,617)
At 30 June 2019 (unaudited)	<u>5,000</u>	<u>47,656</u>	<u>(19,229)</u>	<u>4,000</u>	<u>(101)</u>	<u>70,970</u>	<u>108,296</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

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 are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company, United States dollars. 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 have been listed on GEM of the Stock Exchange since 31 May 2017 (stock code: 8183).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2019 (the “**First Quarterly Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the First Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The First Quarterly Financial Statements does not include all of the information and disclosures required in annual financial statements prepared in accordance with HKFRSs, which comprises all applicable individual HKFRSs and interpretations issued by HKICPA, and the First Quarterly Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019.

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

The preparation of the First Quarterly Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management of the Company in applying the relevant accounting policies and the key sources of estimation uncertainty of the Group were the same as those that applied to the annual financial statements for the year ended 31 March 2019.

3. ADOPTION OF NEW AND REVISED HKFRSs

Save as described below, the accounting policies applied in preparing the First Quarterly Financial Statements are consistent with those of the annual financial statements for the year ended 31 March 2019, as disclosed in the Company's annual report for the year ended 31 March 2019.

HKFRS 16 Leases

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a "lease liability" and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group's accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

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

Except for HKFRS 16, the Directors do not anticipate that the application of other new and revised HKFRSs, which are effective for the Group's financial year beginning on 1 April 2019, have a material impact on the First Quarterly Financial Statements. The Group has not adopted or early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

4. REVENUE

The Group's revenue was mainly derived from the sales of knitwear products such as pullovers, cardigans, vests and skirts with provision of apparel supply chain management services to its customers. The Group's operations are mainly located in Hong Kong.

The following is an analysis of the Group's revenue which represents fashion trading to customers:

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	<u>51,465</u>	<u>17,333</u>

5. OTHER INCOME (LOSS)

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

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sample sales income	168	268
Gain (loss) on exchange difference, net	87	(682)
Total other income (loss)	<u>255</u>	<u>(414)</u>

6. INCOME TAX EXPENSE

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

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax	9	–
Enterprise Income Tax (“EIT”) of People’s Republic of China (the “PRC”)	–	5
Total income tax expense	<u>9</u>	<u>5</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 21.42% for the three months ended 30 June 2019.

No provision for Japan corporate income tax has been made as the subsidiary in Japan did not generate any assessable profits during the three months ended 30 June 2019.

7. DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 30 June 2019 (for the three months ended 30 June 2018: Nil).

8. LOSS PER SHARE

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

	Three months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(3,542)</u>	<u>(7,007)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>500,000</u>	<u>500,000</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share for the period attributable to owners of the Company	<u><u>(0.7)</u></u>	<u><u>(1.4)</u></u>

No diluted loss per share is presented for the three months ended 30 June 2019 and 2018 as there were no potential dilutive ordinary shares outstanding during the respective periods.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products. 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 and/or Thailand.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 31 May 2017 (the "**Listing**") 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\$51.5 million for the three months ended 30 June 2019, representing a very significant increase of approximately 196.9% as compared to the amount of approximately HK\$17.3 million for the three months ended 30 June 2018. The Group's gross profit for the three months ended 30 June 2019 amounted to approximately HK\$7.9 million (for the three months ended 30 June 2018: approximately HK\$2.8 million). The increase in revenue and gross profit of the Group was mainly attributable to the change of customer mix for the three months ended 30 June 2019 as compared to the corresponding period last year. The overall gross profit margin of the Group decreased slightly to approximately 15.4% for the three months ended 30 June 2019 from approximately 16.2% for the three months ended 30 June 2018. Despite the continuing challenges and uncertainties in the global economy and trading environment, the Group's total comprehensive expense attributable to owners of the Company was decreased from approximately HK\$7.1 million for the three months ended 30 June 2018 to approximately HK\$3.6 million for the three months ended 30 June 2019. Such improvement was mainly attributable to (i) the purchase orders from a major customer headquartered in the USA which was solicited last year; and (ii) the Group offered competitive pricing for the spring and summer knitwear products which in return received a greater portion of purchase orders from its customers in Japan, which in aggregate resulted a significant increase in gross profit of the Group for the three months ended 30 June 2019 as compared to the three months ended 30 June 2018.

FINANCIAL REVIEW

Revenue

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the three months ended 30 June 2019, the Group's revenue was mainly derived from the sales of womenswear products and kidswear products, which accounted for approximately 50.6% and 45.4% of the Group's total revenue, respectively. The following table sets out a breakdown of the Group's revenue by product categories for each of the reporting period:

	Three months ended 30 June				Percentage of change %
	2019		2018		
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%	
Womenswear	26,062	50.6	17,093	98.6	52.5
Menswear	2,032	4.0	240	1.4	746.7
Kidswear	23,371	45.4	–	–	–
Total revenue	<u>51,465</u>	<u>100.0</u>	<u>17,333</u>	<u>100.0</u>	196.9

During the three months ended 30 June 2019, the sales volume of the Group amounted to approximately 1.0 million pieces of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Three months ended 30 June				Percentage of change %
	2019		2018		
	Pieces '000 (unaudited)	%	Pieces '000 (unaudited)	%	
Womenswear	521	53.4	337	99.1	54.6
Menswear	24	2.4	3	0.9	700.0
Kidswear	431	44.2	–	–	–
Total sales quantity	<u>976</u>	<u>100.0</u>	<u>340</u>	<u>100.0</u>	187.1

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:

	Three months ended 30 June		
	2019	2018	Percentage of change
	Average selling price (unaudited)^(Note)	Average selling price (unaudited) ^(Note)	
	HK\$	HK\$	%
Womenswear	50.0	50.7	(1.4)
Menswear	84.7	80.0	5.9
Kidswear	54.2	–	–
Overall average selling price per piece	<u>52.7</u>	<u>51.0</u>	3.3

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 increased significantly by approximately HK\$34.2 million or 196.9%, from approximately HK\$17.3 million for the three months ended 30 June 2018 to approximately HK\$51.5 million for the three months ended 30 June 2019. The significant increase in revenue was primarily attributable to the expansion of the product mix to kidswear products with substantial sales volume and the substantial increase in sales volume of womenswear products from the major customer headquartered in the USA.

Womenswear

During the three months ended 30 June 2019, revenue derived from the sales of womenswear products increased by approximately HK\$9.0 million or 52.5%, from approximately HK\$17.1 million for the three months ended 30 June 2018 to approximately HK\$26.1 million for the three months ended 30 June 2019. Such increase was mainly attributable to the increase in sales quantity from approximately 0.3 million pieces for the three months ended 30 June 2018 to approximately 0.5 million pieces for the three months ended 30 June 2019.

Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$1.8 million to approximately HK\$2.0 million for the three months ended 30 June 2019, representing approximately 8.5 times of approximately HK\$0.2 million for the three months ended 30 June 2018. Such increase was mainly attributable to the significant increase in sales quantity from approximately 3,000 pieces for the three months ended 30 June 2018 to approximately 24,000 pieces for the three months ended 30 June 2019 and the increase in average selling price per piece of menswear products from approximately HK\$80.0 for the three months ended 30 June 2018 to approximately HK\$84.7 for the three months ended 30 June 2019.

Kidswear

During the three months ended 30 June 2019, revenue derived from the sales of kidswear products amounted to approximately HK\$23.4 million which accounted for approximately 45.4% of the total revenue of the Group for the three months ended 30 June 2019.

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 increased to approximately HK\$43.5 million for the three months ended 30 June 2019 from approximately HK\$14.5 million for the three months ended 30 June 2018, representing a very significant increase of approximately 199.5%. The very significant increase of the Group's cost of sales was in line with the very significant increase in the Group's revenue of approximately 196.9% for the three months ended 30 June 2019.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$7.9 million for the three months ended 30 June 2019 from approximately HK\$2.8 million for the three months ended 30 June 2018, representing a very significant increase of approximately 183.5%. Such very significant increase in gross profit of the Group was mainly attributable to the change of customer mix for the three months ended 30 June 2019 as compared to the corresponding period last year. The Group's gross profit margin decreased to approximately 15.4% for the three months ended 30 June 2019 from approximately 16.2% for the three months ended 30 June 2018. Such decrease in the Group's gross profit margin was mainly attributable to the competitive pricing offered by the Group for the spring and summer knitwear products which in return received a greater portion of purchase orders from its customers in Japan. Despite the continuing challenges and uncertainties in the global economy and trading environment, the Group recorded a very significant increase in both its revenue and the gross profit for the three months ended 30 June 2019. 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\$55,000 or approximately 35.0% from approximately HK\$157,000 for the three months ended 30 June 2018 to approximately HK\$102,000 for the three months ended 30 June 2019.

Other income or loss

Other income or loss mainly consists of sample sales income and exchange gain/loss. The Group recorded other income of approximately HK\$255,000 for the three months ended 30 June 2019 whilst there was other loss of approximately HK\$414,000 for the three months ended 30 June 2018. Such change was mainly attributable to the Group recorded an exchange loss of approximately HK\$682,000 for the three months ended 30 June 2018 as compared to exchange gain of approximately HK\$87,000 for the three months ended 30 June 2019, which partially offset by the decrease in sample sales income for the three months ended 30 June 2019 as compared to the three months ended 30 June 2018.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling expenses increased to approximately HK\$5.2 million for the three months ended 30 June 2019 from approximately HK\$4.1 million for the three months ended 30 June 2018, representing an increase of approximately 27.0%. Such increase was mainly attributable to an increase in (i) commission expenses; (ii) logistic expenses; and (iii) sample costs, as these expenses 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 remained stable at approximately HK\$5.5 million for the three months ended 30 June 2019 as compared to administrative expenses of approximately HK\$5.5 million for the three months ended 30 June 2018.

Professional fee in relation to the Proposed Transfer of Listing

There was approximately HK\$1.1 million non-recurring professional fee in relation to the Proposed Transfer of Listing recognised for the three months ended 30 June 2019 whilst there was nil such expense recognised for the three months ended 30 June 2018.

Total comprehensive expense attributable to owners of the Company

Total comprehensive expense attributable to owners of the Company improved to approximately HK\$3.6 million for the three months ended 30 June 2019 from approximately HK\$7.1 million for the three months ended 30 June 2018, representing an improvement of approximately 49.0%. Such improvement was mainly attributable to (i) the purchase orders from a major customer headquartered in the USA which was solicited last year; and (ii) the Group offered competitive pricing for the spring and summer knitwear products which in return received a greater portion of purchase orders from its customers in Japan, which in aggregate resulted a very significant increase in gross profit of the Group for the three months ended 30 June 2019. If the non-recurring professional fee in relation to the Proposed Transfer of Listing of approximately HK\$1.1 million for the three months ended 30 June 2019 was excluded, the Group's adjusted total comprehensive expense attributable to owners of the Company for the three months ended 30 June 2019 would have been approximately HK\$2.5 million, representing an improvement of approximately 64.8% as compared to the total comprehensive expense attributable to owners of the Company for the three months ended 30 June 2018.

BASIC LOSS PER SHARE

The Company's basic loss per share for the three months ended 30 June 2019 was approximately 0.7 HK cents (for the three months ended 30 June 2018: approximately 1.4 HK cents), representing an improvement of approximately 0.7 HK cents, or approximately 50.0%, which is in line with the loss for the period attributable to owners of the Company as compared to the three months ended 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2019 (for the three months ended 30 June 2018: Nil).

CAPITAL STRUCTURE

The share capital of the Group only comprises ordinary shares. As at 30 June 2019, the Company's issued share capital amounted to HK\$5.0 million divided by 500,000,000 shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the three months ended 30 June 2019, the Group did not hold any significant investments (as at 31 March 2019: Nil).

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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 30 June 2019, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

PLEDGE OF THE GROUP'S ASSETS

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Pledged bank deposits	<u>15,089</u>	<u>14,925</u>

CONTINGENT LIABILITIES OR GUARANTEES

As at 30 June 2019, the Group did not have any material contingent liabilities or guarantees.

FUTURE PROSPECTS

The Group expects the global economy and trading environment to remain challenging due to keen competition within the industry and the trade war between the PRC and the USA. The heavy additional tariffs that may be raised by the USA would negatively influence different industries including but not limited to the apparel industry if it is implemented. However, the proposed heavy tariffs has yet to be enacted. As such, the trade war has yet to create a direct negative impact to the Group's business. The development of the trade war and its effects on the global economy are still unforeseen and therefore no conclusions can be made and no outcome can be assured that the trade war will not materially and adversely affect the development of the Group's business in long term.

Looking ahead, the Group will continue to develop and create more promotion samples for further expansion of the Group's product variety to cater to the existing and potential customers' needs. Further, by setting up a showroom and an office for a design team and an account servicing team in Japan, the Group will be able to display and promote more sample products to customers and to respond to customers' demands in a more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image of the Group to the existing and potential customers in Japan. 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. In view of the foregoing, the Directors believe that the Group will be able to continuously attract and solicit new customers as well as new fashion brands, including but not limited to, the Japan market which in turn will drive the business growth of the Group in the long run.

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

OTHER INFORMATION

Directors' Interests in Competing Businesses

The Directors confirmed that the Directors, the controlling shareholder and the substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) do not have any business or interest that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the three months ended 30 June 2019.

Corporate Governance Practices

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

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standards, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

During the reporting period, the Group has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. Mr. Chan is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Chan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the three months ended 30 June 2019.

Interests of the Compliance Adviser

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

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

During the three months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Event after the Reporting Period

On 16 July 2019 (after trading hours), the Company has submitted a formal application to the Stock Exchange in respect of the proposed transfer of listing (the “**Proposed Transfer of Listing**”) of (i) all the shares of the Company in issue; and (ii) the new shares which may fall to be issued upon the exercise of share options that may be granted under the share option scheme of the Company, from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Rules Governing the Listing of Securities on the Stock Exchange and the relevant provisions of the GEM Listing Rules. The Proposed Transfer of Listing will not involve any issue of new shares. The Board believes that the Proposed Transfer of Listing, if materialised, will enhance the profile and promote market recognition of the Group amongst public investors, its existing and potential customers, reinforce confidence of existing and potential customers and suppliers in financial strength, corporate governance and credibility of the Group and promote the corporate image of the Company.

Save as disclosed above, there is no other significant event subsequent to 30 June 2019 which would materially affect the Group's operational and financial performance.

Audit Committee

The Audit Committee was established in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the scope of audit and making recommendation to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the unaudited first quarterly results for the three months ended 30 June 2019 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, 9 August 2019

As at the date of this announcement, the executive Directors are Mr. Chan Wing Kai and Mr. Ng Ming Ho; and the independent non-executive Directors are Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin.