

**Deloitte.****德勤**Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

27 January 2017

The Directors  
Speed Apparel Holding Limited

Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of the Garment Business (as defined below) carried out by Speed Apparel Holding Limited (the “Company”), its subsidiaries and their predecessors which carried out such business (the Company, its subsidiaries and the Garment Business carried out by predecessors are hereinafter collectively referred to as the “Group”) (the “Financial Information”) for each of the two years ended 31 March 2016 and the four months ended 31 July 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 27 January 2017 (the “Prospectus”) in connection with the proposed listing (the “Proposed Listing”) of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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. Up to 31 July 2016, the Company had not carried on any business since its date of incorporation other than the preparation of the Proposed Listing and the Reorganisation as defined below. Through a group reorganisation, including the Business Transfer (defined below), as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group, including Knit World International Limited (“Knit World”), and succeeded the Garment Business from Speed Apparel Limited (“Speed Apparel”) and Firenze Apparel Limited (“Firenze Apparel”), which will not form part of the Group, on 18 May 2016.

Historically, the Group’s principal business, which are the selling of apparel products together with the provision of related supply chain management services to its customers (the “Garment Business”), was carried out by three entities, namely, Speed Apparel, Firenze Apparel and Knit World. All of Speed Apparel, Firenze Apparel and Knit World have always been under the control of Mr. Chan Wing Kai (“Mr. Chan”), the controlling shareholder of the Group.

During the Track Record Period, apart from running the Garment Business, Speed Apparel and Firenze Apparel also have certain non-core assets and liabilities which are not directly related to, nor form part of, the Group's principal Garment Business (the "Other Assets and Liabilities"). As the Financial Information aims to reflect only those financial information relevant to the Garment Business during the Track Record Period, the assets and liabilities, as well as the income and expenses directly attributable to such Other Assets and Liabilities were excluded from the Financial Information. For the purpose of this report, the Group had segregated relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the Financial Information to be included in this report. In particular, since Speed Apparel and Firenze Apparel maintained same bank accounts for both the Garment Business as well as for the Other Assets and Liabilities, all cash transactions from the Garment Business and Other Assets and Liabilities were processed through the same bank accounts, which cannot be segregated. As a result, while the bank balances and cash of both Speed Apparel and Firenze Apparel (the "Bank Balances and Cash") for the Track Record Period were reflected in this Financial Information throughout the Track Record Period, the movements and balances of the Bank Balances and Cash attributable to, and the cash flows of, the Other Assets and Liabilities during each reporting period, together with the capital of both Speed Apparel and Firenze Apparel, were reflected as movements and balances in the consolidated statements of changes in equity under the heading of "special reserve" as deemed equity transactions with Mr. Chan (as Other Assets and Liabilities would be retained by Mr. Chan through Speed Apparel and Firenze Apparel, which will not form part of the Group following completion of Reorganisation). Such presentation will cease upon completion of Business Transfer when the Garment Business of Speed Apparel and Firenze Apparel was formally transferred to the Group and became distinct and separate from Speed Apparel or Firenze Apparel. In May 2016, the legal ownership of Knit World was also formally transferred by Mr. Chan to the Group. Since historically the principal activities and net assets of Knit World were all attributable to the Garment Business, no segregation of financial information is necessary for Knit World.

Particulars of the subsidiaries directly or indirectly held by the Company at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at				Principal activity
				31 March		31 July	Date of this report	
				2015	2016	2016		
				%	%	%	%	
Knit World	Hong Kong 20 February 2002	Hong Kong	Ordinary shares HK\$4,000,000	100	100	100	100	Apparel supply chain management services
Speed Apparel (BVI) Limited* ("Speed Apparel BVI")	British Virgin Islands ("BVI") 13 November 2015	Hong Kong	Ordinary shares US\$101	N/A	100	100	100	Investment holding
Speed Apparel (HK) Limited 尚捷(香港)有限公司 ("Speed Apparel HK") (Note)	Hong Kong 26 November 2015	Hong Kong	Ordinary shares HK\$10,000	N/A	100	100	100	Apparel supply chain management services
尚捷時(深圳)貿易有限公司 Speed Apparel (SZ) Trading Limited** ("Speed Apparel Shenzhen")***	The People's Republic of China (the "PRC") 23 February 2016	The PRC	Registered capital RMB800,000	N/A	100	100	100	Apparel supply chain management services

\* Directly held by the Company

\*\* English name for identification purpose only

\*\*\* Limited liability company established in the PRC

*Note:* As part of the Reorganisation, on 1 February 2016, Speed Apparel and Firenze Apparel transferred their rights and obligations, and assets and liabilities related specifically to the Garment Business to the Company's subsidiary, Speed Apparel HK. Details of the transfers are set out in note 1 to Section A below.

As part of the Reorganisation, each of Speed Apparel and Firenze Apparel entered into business transfer agreements with Speed Apparel HK (the "Business Transfer Agreements"), pursuant to which both Speed Apparel and Firenze Apparel ceased to operate the Garment Business and transferred formally to the Group on 1 February 2016 all the rights and obligations, and assets and liabilities related specifically to the Garment Business, except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings, which were retained by Speed Apparel and Firenze Apparel pursuant to the Business Transfer Agreements (the "Business Transfer"). Following the completion of the Business Transfer, certain of abovementioned properties, though now retained by entities outside the Group, are continued to be used by the Group through new operating lease arrangements. The Bank Balances and Cash have also been transferred to the bank accounts maintained by Speed Apparel HK. As part of the Reorganisation as fully explained in note 1 to Section A below, Knit World became a subsidiary of the Company on 18 May 2016. As the predecessor and successor companies carry out the Garment Business have been under the common control of Mr. Chan throughout the Track Record Period, or since their respective dates of incorporation, where this is a

shorter period, the Financial Information has been prepared to present the financial position and financial performance of the Garment Business throughout the Track Record Period as a continuation of existing business from the perspective of Mr. Chan.

Each of the Company and its subsidiaries has adopted 31 March as their financial year end date, except for Speed Apparel Shenzhen which has adopted 31 December as its financial year end date.

The statutory financial statements of Knit World for the year ended 31 March 2015 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by William Kong & Company, certified public accountants registered in Hong Kong. The statutory financial statements of Knit World for the year ended 31 March 2016 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and were audited by us.

The statutory financial statements of Speed Apparel HK for the period from 26 November 2015 (date of incorporation) to 31 March 2016 were prepared in accordance with the HKFRSs issued by the HKICPA and were audited by us.

No statutory financial statements have been prepared for Speed Apparel Shenzhen as it has not reached the statutory time limit imposed on the issuance of the first set of its statutory financial statements since its date of establishment. No statutory financial statements have been prepared for the Company and Speed Apparel BVI since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (the "Underlying Financial Statements").

We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of the Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of the Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015, 31 March 2016 and 31 July 2016 and of the Company as at 31 March 2016 and 31 July 2016, and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the four months ended 31 July 2015 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "July 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the July 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the July 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the July 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the July 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March		Four months ended 31 July	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	5	397,968	435,206	66,919	98,425
Cost of sales		<u>(335,360)</u>	<u>(371,059)</u>	<u>(58,623)</u>	<u>(84,058)</u>
Gross profit		62,608	64,147	8,296	14,367
Other income	6	1,738	1,486	404	383
Other loss		(1,477)	(2,135)	(135)	(437)
Selling and distribution expenses		(26,503)	(22,517)	(6,633)	(6,859)
Administrative expenses		(21,514)	(20,582)	(6,576)	(7,068)
Listing expenses		—	(3,207)	—	(6,481)
Finance costs		<u>(2,232)</u>	<u>(1,359)</u>	<u>(584)</u>	<u>(190)</u>
Profit (loss) before taxation		12,620	15,833	(5,228)	(6,285)
Income tax (expense) credit	7	<u>(2,088)</u>	<u>(3,367)</u>	<u>868</u>	<u>(66)</u>
Profit (loss) for the year/ period	8	10,532	12,466	(4,360)	(6,351)
<b>Other comprehensive income (expense)</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>1</u>	<u>—</u>	<u>(28)</u>
Total comprehensive income (expense) for the year/ period		<u>10,532</u>	<u>12,467</u>	<u>(4,360)</u>	<u>(6,379)</u>
Earnings (loss) per share					
— basic (HK cents)	11	<u>2.81</u>	<u>3.32</u>	<u>(1.16)</u>	<u>(1.70)</u>

## Statements of Financial Position

	Notes	The Group			The Company	
		As at 31 March		As at	As at	As at
		2015	2016	31 July	31 March	31 July
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	12	44,179	1,361	1,402	—	—
Deferred tax assets	13	191	—	—	—	—
Investment in a subsidiary	28(a)	—	—	—	1	1
		<u>44,370</u>	<u>1,361</u>	<u>1,402</u>	<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>						
Inventories	14	34,954	14,243	16,550	—	—
Trade and bills receivables	15	9,799	25,956	31,409	—	—
Other receivables, prepayments and deposits	15	1,424	9,976	20,143	886	3,370
Amounts due from related parties	16(a)	—	5,229	1,720	—	—
Amount due from a subsidiary	28(c)	—	—	—	—	1
Tax recoverable		473	—	—	—	—
Pledged bank deposit	17	6,667	6,000	6,000	—	—
Bank balances and cash	17	29,223	20,844	28,920	480	769
		<u>82,540</u>	<u>82,248</u>	<u>104,742</u>	<u>1,366</u>	<u>4,140</u>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	18	43,941	44,996	34,718	440	7,822
Amounts due to related parties	16(b)	9,444	9,295	9,295	—	—
Amounts due to subsidiaries	28(c)	—	—	—	4,175	6,053
Tax payables		326	991	1,071	—	—
Bank borrowings — due within one year	19(a)	35,477	8,900	46,621	—	—
Bank overdraft	19(b)	—	—	1,405	—	—
		<u>89,188</u>	<u>64,182</u>	<u>93,110</u>	<u>4,615</u>	<u>13,875</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(6,648)</u>	<u>18,066</u>	<u>11,632</u>	<u>(3,249)</u>	<u>(9,735)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,722</u>	<u>19,427</u>	<u>13,034</u>	<u>(3,248)</u>	<u>(9,734)</u>
NON-CURRENT LIABILITY						
Deferred tax liabilities	13	—	55	41	—	—
NET ASSETS (LIABILITIES)		<u>37,722</u>	<u>19,372</u>	<u>12,993</u>	<u>(3,248)</u>	<u>(9,734)</u>
<b>CAPITAL AND RESERVES</b>						
Share capital	20	4,000	4,000	—	—	—
Reserves		<u>33,722</u>	<u>15,372</u>	<u>12,993</u>	<u>(3,248)</u>	<u>(9,734)</u>
		<u>37,722</u>	<u>19,372</u>	<u>12,993</u>	<u>(3,248)</u>	<u>(9,734)</u>

## Consolidated Statements of Changes in Equity

	Attributable to owner of the Company					Total equity HK\$'000
	Share capital	Special reserve	Capital reserve	Exchange reserve	Retained profits	
	HK\$'000 (Note 20)	HK\$'000 (Note i)	HK\$'000 (Note iii)	HK\$'000	HK\$'000	
At 1 April 2014	4,000	(17,233)	—	—	48,630	35,397
Profit and total comprehensive income for the year	—	—	—	—	10,532	10,532
Dividends recognised as distribution (note 10)	—	—	—	—	(7,000)	(7,000)
Movement of the Other Assets and Liabilities, net	—	(1,207)	—	—	—	(1,207)
At 31 March 2015	4,000	(18,440)	—	—	52,162	37,722
Profit for the year	—	—	—	—	12,466	12,466
Exchange differences arising on the translation of foreign operations	—	—	—	1	—	1
Total comprehensive income for the year	—	—	—	1	12,466	12,467
Movement of the Other Assets and Liabilities, net Arising from the Business Transfer (Note ii)	—	(789)	—	—	—	(789)
	—	—	—	—	(30,028)	(30,028)
At 31 March 2016	4,000	(19,229)	—	1	34,600	19,372
Loss for the period	—	—	—	—	(6,351)	(6,351)
Exchange differences arising on the translation of foreign operations	—	—	—	(28)	—	(28)
Total comprehensive expense for the period	—	—	—	(28)	(6,351)	(6,379)
Arising from the Reorganisation	(4,000)	—	4,000	—	—	—
At 31 July 2016	—	(19,229)	4,000	(27)	28,249	12,993



	<u>Attributable to owner of the Company</u>					
	<u>Share capital</u>	<u>Special reserve</u>	<u>Capital reserve</u>	<u>Exchange reserve</u>	<u>Retained profits</u>	<u>Total equity</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 20)</i>	<i>(Note i)</i>	<i>(Note iii)</i>			
For the four months ended 31 July 2015 (unaudited)						
At 1 April 2015	<u>4,000</u>	<u>(18,440)</u>	<u>—</u>	<u>—</u>	<u>52,162</u>	<u>37,722</u>
Loss and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,360)</u>	<u>(4,360)</u>
Movement of Other Assets and Liabilities, net	<u>—</u>	<u>(271)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(271)</u>
At 31 July 2015	<u><u>4,000</u></u>	<u><u>(18,711)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>47,802</u></u>	<u><u>33,091</u></u>

*Notes:*

- (i) As discussed above, the Financial Information included in this report aims to reflect the financial information relevant to the Garment Business, which was segregated from the books of Speed Apparel and Firenze Apparel, the predecessors which, together with Knit World, historically and throughout the Track Record Period carried out the Group's Garment Business, as well as held the Other Assets and Liabilities which does not form part of the Group. Therefore, the financial position and financial performance of the Group does not include those directly attributable to the Other Assets and Liabilities. However, since historically and throughout the Track Record Period, several bank accounts were maintained by Speed Apparel and Firenze Apparel for both the Garment Business and the Other Assets and Liabilities, which are inseparable, the Group's movements of cash flows as well as changes in equity included in this Financial Information have inevitably included those related to the Other Assets and Liabilities regardless of the date of the Business Transfer, before the Garment Business was formally transferred to the Group and became distinct and separate legal entities apart from Speed Apparel or Firenze Apparel. It follows that:
- a. in the consolidated statements of cash flows of the Group, any fund flows resulted in the increase and decrease of the bank accounts of Speed Apparel or Firenze Apparel as a result of transactions relating to the Other Assets and Liabilities, even though not related to the Group's Garment Business, were reflected as deemed financing cash inflows and outflows, respectively, of the Group with Mr. Chan as these represent deemed contributions from Mr. Chan and deemed distributions to Mr. Chan, respectively, and included in the Group's consolidated statements of cash flows throughout the Track Record Period; and
  - b. in the consolidated statements of changes in equity of the Group, due to the fact that both the Garment Business and the Other Assets and Liabilities were under the common control of Mr. Chan, any (I) corresponding increase in resources of the Group as a result of transactions mentioned in (a) above was credited to special reserve and recognised as deemed contributions from Mr. Chan; and (II) any corresponding decrease in resources as a result of transactions mentioned in (a) above was debited to special reserve and recognised as deemed distributions to Mr. Chan.
- (ii) On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business carried out by Speed Apparel and Firenze Apparel except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings as at the date of the Business Transfer were formally transferred to Speed Apparel HK, a subsidiary of the Company.
- Building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business amounting to HK\$41,200,000 and the associated bank borrowings amounting to HK\$11,172,000 were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016. Following the completion of the Business Transfer, one of the building properties has been leased to the Group, as set out in further details in notes 21 and 23(b).
- (iii) Capital reserve represents the difference between the nominal value of the one share of the Company issued as part of the Reorganisation to acquire Knit World from Mr. Chan and the nominal value of the then issued share capital of Knit World.

## Consolidated Statements of Cash Flows

	Year ended 31 March		Four months ended 31 July	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
<b>OPERATING ACTIVITIES</b>				
Profit (loss) before taxation	12,620	15,833	(5,228)	(6,285)
Adjustments for:				
Depreciation of property, plant and equipment	2,022	1,713	640	210
Finance costs	2,232	1,359	584	190
Interest income	(204)	(124)	(39)	(1)
Operating cash flows before movements in working capital	16,670	18,781	(4,043)	(5,886)
Decrease (increase) in inventories	5,231	18,037	(15,930)	(2,307)
Increase in trade and bills receivables	(3,015)	(16,157)	(6,120)	(5,453)
Increase in other receivables, prepayments and deposits	(88)	(8,552)	(6,043)	(10,167)
(Increase) decrease in amounts due from related parties	—	(5,229)	—	3,509
Increase (decrease) in amounts due to related parties	58	(118)	(118)	—
Increase (decrease) in trade and other payables	11,131	3,729	4,544	(10,278)
Cash from (used in) operations	29,987	10,491	(27,710)	(30,582)
Income tax paid	(1,412)	(1,982)	—	—
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>28,575</b>	<b>8,509</b>	<b>(27,710)</b>	<b>(30,582)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(632)	(95)	(11)	(251)
Placement of pledged bank deposit	(180)	—	—	—
Interest received	204	124	39	1
Withdrawal of pledged bank deposit	—	667	—	—
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(608)</b>	<b>696</b>	<b>28</b>	<b>(250)</b>

	Year ended 31 March		Four months ended 31 July	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
FINANCING ACTIVITIES				
Repayments of bank loans	(22,191)	(24,305)	(2,731)	(8,900)
Dividends paid to Mr. Chan	(7,000)	—	—	—
Interest paid	(2,232)	(1,359)	(584)	(190)
Cash outflows from Other Assets and Liabilities	(1,665)	(1,264)	(505)	—
Repayment to a related party	(80)	(31)	(8)	—
Cash inflows from Other Assets and Liabilities	458	475	234	—
New bank loans raised	<u>11,691</u>	<u>8,900</u>	<u>7,332</u>	<u>46,621</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(21,019)</u>	<u>(17,584)</u>	<u>3,738</u>	<u>37,531</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,948	(8,379)	(23,944)	6,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	22,275	29,223	29,223	20,844
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>(28)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>29,223</u>	<u>20,844</u>	<u>5,279</u>	<u>27,515</u>
Represented by:				
— Bank balances and cash	29,223	20,844	5,279	28,920
— Bank overdraft	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,405)</u>
	<u>29,223</u>	<u>20,844</u>	<u>5,279</u>	<u>27,515</u>

**NOTES TO THE FINANCIAL INFORMATION****1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL 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 addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" of this Prospectus.

The Financial Information is presented in Hong Kong dollar ("HK\$"), which is different from the functional currency, namely United States dollars ("US\$"), of the Company. The directors of the Company consider that presenting the Financial Information in HK\$ is preferable as the Group's principle place of business is in Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group is selling of apparel products together with the provision of related supply chain management services to its customers. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, whose products are marketed and sold under their own brands. Historically, the Group's Garment Business was carried out by Speed Apparel, Firenze Apparel and Knit World, all of which are under the common control of Mr. Chan.

In preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange, the Group underwent the Reorganisation, which mainly involved (a) setting up shell entities as holding companies, (b) transferring the Garment Business from Speed Apparel and Firenze Apparel to Speed Apparel HK, and (c) the acquisition of Knit World by Speed Apparel BVI. Pursuant to the business transfer agreements entered into among each of Speed Apparel and Firenze Apparel and Speed Apparel HK, the transfer of the Garment Business formally from Speed Apparel and Firenze Apparel to the Group was completed on 1 February 2016, including all the rights and obligations, and assets and liabilities related specifically to the Garment Business except for building properties located in Hong Kong that served as the godown and ancillary office of the Garment Business and the associated bank borrowings which were retained by Speed Apparel and Firenze Apparel. Certain non-core assets and liabilities of Speed Apparel and Firenze Apparel not attributable to the Garment Business are not transferred to the Group and are retained by Speed Apparel or Firenze Apparel pursuant to the Business Transfer Agreements.

Major steps of the Reorganisation are as follows:

- i. On 13 November 2015, Speed Apparel BVI was incorporated with an issued and fully paid share capital of US\$100 which is held and controlled by Mr. Chan.
- ii. On 19 November 2015, the Company was incorporated with an issued and fully paid share capital of HK\$0.01 which is held and controlled by Mr. Chan.
- iii. On 26 November 2015, Speed Apparel HK was incorporated by Speed Apparel BVI in Hong Kong. Speed Apparel HK allotted and issued 10,000 shares at HK\$10,000, credited as fully paid, to Speed Apparel BVI as the initial subscriber.
- iv. On 8 December 2015, Mr. Chan transferred the entire issued share capital of the Company to Speed Development Company Limited ("Speed Development"), a company incorporated in the BVI which is held and controlled by Mr. Chan. On the same date, Mr. Chan also transferred the entire issued share capital of Speed Apparel BVI to the Company.
- v. On 1 February 2016, all the rights and obligations, and assets and liabilities related specifically to the Garment Business carried out by Speed Apparel and Firenze Apparel (except for building properties located in Hong Kong that served as godown and ancillary office of the Garment Business and the associated bank borrowings) as at the date of the Business Transfer were formally transferred to Speed Apparel HK. Other Assets and Liabilities in the net aggregate carrying amount of HK\$30,028,000 were retained by Speed Apparel and Firenze Apparel, and have been accounted for as deemed distribution to Mr. Chan.

- vi. On 23 February 2016, Speed Apparel Shenzhen was established in the PRC by Speed Apparel HK with a registered capital of RMB800,000, which has been paid up in full in April 2016.
- vii. On 18 May 2016, Speed Apparel BVI acquired the entire equity interest in Knit World from Mr. Chan for a consideration settled by the issue of one new share by Speed Apparel BVI to the Company; which in turn, issued one new share to Speed Development; which in turn, also issued one new share to Mr. Chan.

Speed Development is considered to be the immediate and ultimate holding company of the Company.

The Financial Information aims to include assets, liabilities, income and expenses that are related to and specifically identified for the Garment Business. During the Track Record Period, Speed Apparel and Firenze Apparel also owned Other Assets and Liabilities and the Group had segregated the relevant financial information of the Garment Business, to the extent possible, from the historical financial information of Speed Apparel and Firenze Apparel for the preparation of the Financial Information to be included in this report. In particular, since Speed Apparel and Firenze Apparel maintained the same bank accounts for both of their Garment Business as well as for their Other Assets and Liabilities, all cash transactions from the Garment Business and the Other Assets and Liabilities are processed through the same bank accounts, which cannot be segregated. As a result, the bank balances and cash of Speed Apparel and Firenze Apparel for the Track Record Period were reflected in this Financial Information throughout the Track Record Period. The directors of the Company believe that the method of segregation and allocation represents a reasonable basis of determining what the financial position and financial performance of the Garment Business would have been on a stand-alone basis.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 18 May 2016. As the Garment Business has been under the common control of Mr. Chan throughout the Track Record Period and before and after the Reorganisation, as a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Garment Business, using the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the Garment Business as if the Company had always been the holding company of the Group, the Garment Business had always been operated by the Group and the current group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment, where applicable.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2016 throughout the Track Record Period.

The Group has not early applied the following new standards and amendments that have been issued at the date of this report but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 July 2016.

#### ***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation



Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

#### ***HKFRS 16 Leases***

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 21, the total operating lease commitment of the Group in respect of rented premises as at 31 March 2016 and 31 July 2016 amounted to HK\$3,400,000 and HK\$3,000,000, respectively. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group’s result but expected that the above operating lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new standards and amendments will have no material impact on the Financial Information of the Group.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The Financial Information also complies with the applicable requirements of the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Investment in a subsidiary**

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

**Borrowing costs**

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the year in which they are incurred.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from accounting profit as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme and PRC state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

**Property, plant and equipment**

Property, plant and equipment including land and building held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, amounts due from related parties, amount due from a subsidiary, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to related parties, amounts due to subsidiaries, bank borrowings and bank overdraft) are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

***Derecognition***

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

**Impairment losses**

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **Impairment of trade and bills receivables**

When there is objective evidence of impairment loss, the Group would estimate the future cash flows from the receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015, 31 March 2016 and 31 July 2016, the carrying amounts of trade and bills receivables were HK\$9,799,000, HK\$25,956,000 and HK\$31,409,000 respectively.

#### 5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on fashion trading for the Track Record Period.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company throughout the Track Record Period, 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 the accounting policies which conform with HKFRSs which is consistent with those presented in this report, 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.



Information about the Group's revenue from external customers is presented based on the geographical locations of the customers, irrespective of the origin of the goods, is detailed below:

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Japan	367,251	390,801	59,942	94,671
Hong Kong	22,595	29,515	5,084	2,306
PRC excluding Hong Kong	4,533	10,736	1,393	1,102
Others	3,589	4,154	500	346
	<u>397,968</u>	<u>435,206</u>	<u>66,919</u>	<u>98,425</u>

Information about the Group's non-current assets (exclude deferred tax assets) is presented based on the geographical location of the assets:

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<u>44,179</u>	<u>1,361</u>	<u>1,402</u>

Revenue from customers individually contributing over 10% of the Group's revenue of the corresponding year/period are as follows:

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Customer A	174,871	221,138	32,190	53,422
Customer B	98,312	90,872	12,771	26,438
Customer C	<u>40,654</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year/period.

## 6. OTHER INCOME

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Sample sales income	1,532	1,360	365	382
Bank interest income	204	124	39	1
Others	<u>2</u>	<u>2</u>	<u>—</u>	<u>—</u>
	<u>1,738</u>	<u>1,486</u>	<u>404</u>	<u>383</u>

## 7. INCOME TAX EXPENSE (CREDIT)

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Current tax:				
Hong Kong Profits Tax				
— current year/period	2,021	3,121	—	69
— overprovision in prior years	(1)	—	—	—
PRC Enterprise Income Tax (“EIT”)				
— current year/period	—	—	—	11
	2,020	3,121	—	80
Deferred tax ( <i>note 13</i> )	68	246	(868)	(14)
	<u>2,088</u>	<u>3,367</u>	<u>(868)</u>	<u>66</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

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 enterprise income tax law, implementation rules and notices in the PRC.

The tax charge for the Track Record Period can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit (loss) before taxation	<u>12,620</u>	<u>15,833</u>	<u>(5,228)</u>	<u>(6,285)</u>
Tax at Hong Kong Profits tax rate of 16.5% ( <i>Note i</i> )	2,082	2,612	(863)	(1,037)
Tax effect of expenses not deductible for tax purposes	48	592	—	1,099
Tax effect of income not taxable for tax purposes	(1)	(20)	(5)	—
Overprovision in prior years	(1)	—	—	—
Tax effect of profit under tax concessions ( <i>Note ii</i> )	(40)	(61)	—	—
Tax effect of reversal of deferred tax recognised in prior years/period	—	244	—	—
Effect of difference in tax rate of a subsidiary operating in another jurisdiction	—	—	—	4
Income tax expense (credit) for the year/period	<u>2,088</u>	<u>3,367</u>	<u>(868)</u>	<u>66</u>

*Notes:*

- (i) The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

- (ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. In accordance with the 2015–16 Budget and 2016–17 Budget presented by the Financial Secretary of the Government of the Hong Kong Special Administrative Region of the People's Republic of China, it was proposed that the Hong Kong Profits Tax for the years of assessment 2014/2015 and 2015/2016 be reduced by 75%, subject to a ceiling of HK\$20,000 per case in each of the year. Certain subsidiaries of the Group operating in Hong Kong enjoyed such tax concessions.

## 8. PROFIT (LOSS) FOR THE YEAR/PERIOD

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit (loss) for the year/period has been arrived at after charging:				
Directors' remuneration:				
— Fees	—	—	—	—
— Other emoluments, salaries and other benefits	3,141	2,881	1,002	955
— Retirement benefit scheme contributions	53	51	18	12
	<u>3,194</u>	<u>2,932</u>	<u>1,020</u>	<u>967</u>
Other staff costs:				
— Salaries and other benefits	20,237	19,674	5,768	5,969
— Retirement benefit scheme contributions	791	764	239	249
	<u>21,028</u>	<u>20,438</u>	<u>6,007</u>	<u>6,218</u>
Total employee benefits expenses	<u>24,222</u>	<u>23,370</u>	<u>7,027</u>	<u>7,185</u>
Auditor's remuneration	95	150	50	267
Depreciation of property, plant and equipment	2,022	1,713	640	210
Net foreign exchange losses	1,477	2,135	135	437
Cost of inventories recognised as cost of sales	335,360	371,059	58,623	84,058
Operating lease rental in respect of rental premises	152	285	33	414
Commission expenses (included in selling and distribution expenses)	3,767	2,390	653	523
Sample charges (included in selling and distribution expenses)	6,811	5,807	2,395	2,234

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

## For the year ended 31 March 2015

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note iii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Wing Kai ( <i>Note i</i> )	—	2,040	510	35	2,585
Mr. Ng Ming Ho ( <i>Note ii</i> )	—	546	45	18	609
	—	2,586	555	53	3,194

## For the year ended 31 March 2016

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note iii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Wing Kai ( <i>Note i</i> )	—	2,042	210	33	2,285
Mr. Ng Ming Ho ( <i>Note ii</i> )	—	580	49	18	647
	—	2,622	259	51	2,932

## For the four months ended 31 July 2015 (unaudited)

Name of the director	Fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note iii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Wing Kai ( <i>Note i</i> )	—	781	—	12	793
Mr. Ng Ming Ho ( <i>Note ii</i> )	—	221	—	6	227
	—	1,002	—	18	1,020

For the four months ended 31 July 2016

<u>Name of the director</u>	<u>Fee</u>	<u>Salaries and other benefits</u>	<u>Discretionary bonus</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note iii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Wing Kai ( <i>Note i</i> )	—	737	—	6	743
Mr. Ng Ming Ho ( <i>Note ii</i> )	—	218	—	6	224
	—	955	—	12	967

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

*Notes:*

- (i) Being appointed as a director of the Company on 19 November 2015 and was designated as an executive director on 15 June 2016. Mr. Chan Wing Kai is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.
- (ii) Mr. Ng Ming Ho ("Mr. Ng") was appointed as a director of the Company on 15 June 2016.
- (iii) Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

**(b) Employees' emoluments**

The five highest paid individuals of the Group include two directors of the Company for each of the years ended 31 March 2015 and 2016 and the four months ended 31 July 2015 and 2016. The emoluments of the remaining three individuals for each of the years ended 31 March 2015 and 2016 and the four months ended 31 July 2015 and 2016 are as follows:

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Salaries and other benefits	1,592	1,699	649	650
Discretionary bonus	994	824	—	—
Retirement benefit scheme contributions	53	54	18	18
	<u>2,639</u>	<u>2,577</u>	<u>667</u>	<u>668</u>

The emoluments were within the following bands:

	Number of employees			
	Year ended 31 March		Four months ended 31 July	
	2015	2016	2015	2016
			<i>(unaudited)</i>	
Nil to HK\$1,000,000	2	2	3	3
HK\$1,000,001 to HK\$1,500,000	1	1	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

#### 10. DIVIDENDS

Firenze Apparel distributed interim dividends amounting to HK\$7,000,000 for the year ended 31 March 2015 to Mr. Chan, its then shareholder, prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful.

#### 11. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the Track Record Period was based on the profit (loss) for the year/period attributable to owner of the Company and the number of 375,000,000 ordinary shares, which had been adjusted retrospectively for the effect of shares issued in connection with the Reorganisation as set out in note 1 and the effect of the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus as if both the Reorganisation and capitalisation issue had been effective on 1 April 2014.

No diluted earnings (loss) per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and building in Hong Kong</b>	<b>Leasehold improvement</b>	<b>Furniture and office equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>				
At 1 April 2014	50,146	5,388	3,368	58,902
Additions	<u>—</u>	<u>—</u>	<u>632</u>	<u>632</u>
At 31 March 2015	50,146	5,388	4,000	59,534
Additions	—	—	95	95
Written-off	—	(3,268)	(3,031)	(6,299)
Deemed distributions	<u>(50,146)</u>	<u>—</u>	<u>—</u>	<u>(50,146)</u>
At 31 March 2016	—	2,120	1,064	3,184
Additions	<u>—</u>	<u>185</u>	<u>66</u>	<u>251</u>
At 31 July 2016	<u>—</u>	<u>2,305</u>	<u>1,130</u>	<u>3,435</u>
<b>DEPRECIATION</b>				
At 1 April 2014	6,558	3,676	3,099	13,333
Provided for the year	<u>1,303</u>	<u>486</u>	<u>233</u>	<u>2,022</u>
At 31 March 2015	7,861	4,162	3,332	15,355
Provided for the year	1,085	424	204	1,713
Eliminated on written-off	—	(3,268)	(3,031)	(6,299)
Deemed distributions	<u>(8,946)</u>	<u>—</u>	<u>—</u>	<u>(8,946)</u>
At 31 March 2016	—	1,318	505	1,823
Provided for the period	<u>—</u>	<u>145</u>	<u>65</u>	<u>210</u>
At 31 July 2016	<u>—</u>	<u>1,463</u>	<u>570</u>	<u>2,033</u>
<b>CARRYING VALUES</b>				
At 31 March 2015	<u>42,285</u>	<u>1,226</u>	<u>668</u>	<u>44,179</u>
At 31 March 2016	<u>—</u>	<u>802</u>	<u>559</u>	<u>1,361</u>
At 31 July 2016	<u>—</u>	<u>842</u>	<u>560</u>	<u>1,402</u>

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Land and building	Over the period of the relevant lease
Leasehold improvement	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum

As at 31 March 2015, the entire balance of the land and building as shown above had been pledged to secure banking facilities granted to the Group.

As set out in the consolidated statements of changes in equity and note 1, the above properties were retained by Speed Apparel and Firenze Apparel after the Business Transfer, and had been accounted for as deemed distribution to Mr. Chan during the year ended 31 March 2016.

### 13. DEFERRED TAX ASSETS (LIABILITIES)

The following is deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	<b>Accelerated accounting depreciation (tax depreciation)</b> <i>HK\$'000</i>
At 1 April 2014	259
Charge to profit or loss	<u>(68)</u>
At 31 March 2015	191
Charge to profit or loss	<u>(246)</u>
At 31 March 2016	(55)
Credit to profit or loss	<u>14</u>
At 31 July 2016	<u><u>(41)</u></u>

As at 31 March 2015, 31 March 2016 and 31 July 2016, the Group had unused tax loss of HK\$34,000, HK\$74,000 and HK\$118,000, respectively, available to offset against future profits. No deferred tax asset had been recognised in respect of the unused tax loss due to the unpredictability of future profit streams. The tax losses as at 31 March 2015, 31 March 2016 and 31 July 2016 might be carried forward indefinitely.

### 14. INVENTORIES

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	14,950	9,562	8,283
Work in progress	<u>20,004</u>	<u>4,681</u>	<u>8,267</u>
	<u><u>34,954</u></u>	<u><u>14,243</u></u>	<u><u>16,550</u></u>



## 15. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group			The Company	
	As at 31 March		As at 31 July	As at 31 March	As at 31 July
	2015	2016	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills receivables	9,799	25,956	31,409	—	—
Prepayments to subcontractors/suppliers	211	8,387	16,047	—	—
Deferred listing expenses	—	882	2,838	882	2,838
Utility deposits	232	181	178	—	—
Other receivables	893	435	430	—	—
Other prepayments	88	91	650	4	532
	1,424	9,976	20,143	886	3,370

No allowance for bad and doubtful debt was provided during the Track Record Period 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 credit periods of no longer than 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 31 March		As at 31 July
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	8,773	22,379	30,741
31 to 60 days	229	2,101	582
61 to 90 days	176	1,334	55
Over 90 days	621	142	31
	9,799	25,956	31,409

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK\$1,009,000, HK\$1,892,000 and HK\$152,000 as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which were past due but not impaired at the end of the reporting period:

	As at 31 March		As at
	2015	2016	31 July
	HK\$'000	HK\$'000	2016
Overdue by:			HK\$'000
1 to 30 days	275	1,463	89
31 to 60 days	230	297	34
61 to 90 days	158	107	5
Over 90 days	346	25	24
	<u>1,009</u>	<u>1,892</u>	<u>152</u>

Trade and bills receivables and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	The Group		The Company	
	As at 31 March		As at	As at
	2015	2016	31 July	31 July
	HK\$'000	HK\$'000	2016	2016
HK\$	512	678	382	—
Renminbi ("RMB")	1,246	3,899	609	—
	<u>1,758</u>	<u>4,577</u>	<u>991</u>	<u>—</u>

## 16. AMOUNTS DUE FROM/TO RELATED PARTIES

### (a) Amounts due from related parties

	As at 1 April	As at 31 March		As at 31 July	Maximum amount outstanding			
		2015	2016		during the year ended			during the
		2014	2016		31 March			four months
	2014	2015	2016	2016	2015	2016	31 July 2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Speed Apparel	—	—	3,439	795	—	16,630	9,990	
Firenze Apparel	—	—	1,790	925	—	17,035	2,931	
	<u>—</u>	<u>—</u>	<u>5,229</u>	<u>1,720</u>	<u>—</u>	<u>33,665</u>	<u>12,921</u>	

All of the amounts as at 31 March 2016 and 31 July 2016 represented collection of trade debt balances from customers of the Group received by Speed Apparel and Firenze Apparel on the Group's behalf for sales made prior to the Business Transfer. The sales invoices of the relevant sales were issued in the names of Speed Apparel or Firenze Apparel prior to the Business Transfer and the relevant debtors therefore settled the trade debts to the designated bank accounts of Speed Apparel or Firenze Apparel, which were not transferred to the Group upon the Business Transfer. Such sums collected by Speed Apparel or Firenze Apparel on the Group's behalf were transferred

back to the Group within few business days upon receipts. The relevant cash flows of these collection of trade debts from the Group's customers were presented as operating cash flows in the consolidated statements of cash flows as the management considered the cash flows are, in substance, the receipts from trade customers. These amounts were denominated in HK\$, interest-free, unsecured and repayable on demand as at 31 March 2016 and 31 July 2016. The entire balance as at 31 July 2016 has subsequently been settled before the date of this report.

(b) Amounts due to related parties

	As at 31 March		As at
	2015	2016	31 July
	HK\$'000	HK\$'000	2016
Dream Knit Company Limited ("Dream Knit")	118	—	—
Mr. Chan	9,326	9,295	9,295
	9,444	9,295	9,295

Dream Knit was 100% controlled by Mr. Chan as at 31 March 2015. The amount due to Dream Knit as at 31 March 2015 was arising from the commission expense payable by the Group thereto, as set out in note 23(b). The full amount had been settled by the Group during the year ended 31 March 2016.

The amount due to Mr. Chan is non-trade in nature, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, such amount has been settled by the Group before the listing of the Company's shares on the Stock Exchange.

#### 17. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposit of the Group have been pledged to secure banking facilities granted to the Group.

The pledged bank deposit carried fixed interest rates which range from 2.65% to 3.1%, at 0.3% and at 0.3% per annum as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively.

Bank balances carried interest at prevailing market rates ranging from 0.01% to 0.35%, 0.01% to 0.35% and 0.01% to 0.35% per annum as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively.

Pledged bank deposit and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities and the Company are set out below:

	The Group		The Company	
	As at 31 March		As at	As at
	2015	2016	31 July	31 March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	22,235	21,317	26,559	480
RMB	8,788	1,261	852	—
	31,023	22,578	27,411	480
				769

During the Track Record Period, purchases with certain suppliers were paid and sales proceeds from certain customers were collected in the mainland China through one bank account opened under the name of Mr. Ng. Amounts of HK\$833,000 and HK\$986,000 kept by this individual in his own personal bank account was included in the cash and cash equivalents of the Group as at 31 March 2015 and 2016, respectively. The above arrangement had been ceased since June 2016 and the relevant individual personal bank account was closed in June 2016. This individual personal bank account was included in the Financial Information as, in the opinion of the directors of the Company, such sums represented the Group's asset as it was solely used for business operation of the Group in the PRC as the Group had no presence in the PRC before Speed Apparel Shenzhen was established. The above individual personal bank account had not carried any other transaction other than the Group's business transactions. As detailed in the section headed "Business — Risk management and internal control" in the Prospectus, given the measure taken by the Group and after seeking legal advice, the directors of the Company have represented that they are of the view that such arrangement will have no material financial impact to the Group.

#### 18. TRADE AND OTHER PAYABLES

	<u>The Group</u>		<u>The Company</u>		
	<u>As at 31 March</u>		<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 July</u>	<u>31 March</u>	<u>31 July</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>	<i>2016</i>
Trade payables	40,619	28,419	10,699	—	—
Accrued subcontracting charges	2,779	11,790	12,674	—	—
Accrued staff costs	141	503	1,024	—	—
Accrued expenses	357	778	4,852	439	4,417
Deposits received	45	916	172	—	—
Other payables	—	2,590	5,297	1	3,405
	<u>43,941</u>	<u>44,996</u>	<u>34,718</u>	<u>440</u>	<u>7,822</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 each reporting period is as follows:

	<u>As at 31 March</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 July</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
1 to 30 days	17,428	25,748	9,050
31 to 60 days	18,421	1,431	1,186
61 to 90 days	3,097	504	106
Over 90 days	<u>1,673</u>	<u>736</u>	<u>357</u>
	<u>40,619</u>	<u>28,419</u>	<u>10,699</u>

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	<u>The Group</u>		<u>The Company</u>	
	<u>As at 31 March</u>		<u>As at</u>	<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 July</u>	<u>31 July</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>
HK\$	11,700	9,239	11,770	1
RMB	370	—	1,220	—
	<u>12,070</u>	<u>9,239</u>	<u>12,990</u>	<u>1</u>
				<u>3,405</u>

## 19. BANK BORROWINGS/BANK OVERDRAFT

### (a) Bank borrowings

The entire balances of the Group's bank borrowings are secured, guaranteed and carried variable rate of interest.

	<u>As at 31 March</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 July</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:			<i>HK\$'000</i>
Within one year	24,834	8,900	46,621
More than one year, but not more than two years	3,212	—	—
More than two years, but not more than five years	7,044	—	—
More than five years	387	—	—
	<u>35,477</u>	<u>8,900</u>	<u>46,621</u>
Analysed as:			
Amounts due within one year shown under current liabilities and contain a repayment on demand clause	24,834	8,900	46,621
Amounts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>10,643</u>	<u>—</u>	<u>—</u>
	35,477	8,900	46,621
Less: amounts shown under current liabilities	<u>(35,477)</u>	<u>(8,900)</u>	<u>(46,621)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

The floating-rate bank borrowings carry interests at premiums over or discounts to Hong Kong Interbank Offered Rate ("HIBOR") or Prime Rates quoted by certain banks in Hong Kong. The effective interest rate on bank borrowings is ranging from 1.71% to 5.5% per annum, at 2.27% per annum and ranging from 2.08% to 3.75% per annum as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively.

Bank borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 March		As at
	2015	2016	31 July
	HK\$'000	HK\$'000	HK\$'000
HK\$	35,477	8,900	39,265

**(b) Bank overdraft**

Bank overdraft as at 31 July 2016 was denominated in HK\$, carried interest at 1.5% below the Best Lending Rate quoted by a bank in Hong Kong and repayable on demand.

The Group's banking borrowings and bank overdraft are secured by (i) certain assets of the Group as detailed in note 24, (ii) certain assets held by entities controlled by Mr. Chan and/or (iii) certain assets held by Mr. Chan and his wife.

The Group's bank borrowings and bank overdraft are guaranteed by corporate guarantees provided by Speed Apparel and Firenze Apparel, and personal guarantee provided by Mr. Chan, as set out in note 23(c).

**20. SHARE CAPITAL**

For the purposes of presentation of the statements of financial position, the balances of share capital as at 1 April 2014 and 31 March 2015 represented the share capital of Knit World attributable to Mr. Chan prior to the completion of the Reorganisation.

The Company was incorporated during the year ended 31 March 2016. As set out in note 1, the acquisition of Knit World by Speed Apparel BVI had not yet been completed on 31 March 2016 and the balance of share capital as at 31 March 2016 represented the aggregate of the share capital of the Company and Knit World attributable to Mr. Chan.

As further set out in note 1, the acquisition of Knit World by Speed Apparel BVI had been completed on 18 May 2016 and settled by issue of one share of the Company to Speed Development as part of the consideration. On 24 May 2016, the Company further issued and allotted 8,998 shares at par value of HK\$0.01 each to Speed Development at the aggregate cash consideration of approximately HK\$90. The balance of share capital as at 31 July 2016 represented solely the share capital of the Company.

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

	<u>Number of shares</u>	<u>Share capital</u> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 19 November 2015 (date of incorporation), 31 March 2016 and 31 July 2016	<u>39,000,000</u>	<u>390</u>
Issued:		
At date of incorporation and 31 March 2016	1	—
Issue of shares	<u>8,999</u>	<u>—</u>
At 31 July 2016	<u>9,000</u>	<u>—</u>
		<i>HK\$'000</i>
Shown in the statements of financial position at 31 March 2016 and 31 July 2016		<u>—</u>

The new shares rank pari passu with the then existing shares in all respects.

Other than the share allotments above, no other share transaction was undertaken by the Company from its incorporation date to 31 July 2016.

## 21. OPERATING LEASES

### The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<u>As at 31 March</u>		<u>As at</u> <u>31 July</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	1,200	1,200
In the second to fifth year inclusive	<u>—</u>	<u>2,200</u>	<u>1,800</u>
	<u>—</u>	<u>3,400</u>	<u>3,000</u>

Operating lease payments represent rental expense payable by the Group to a related entity controlled by Mr. Chan, as set out in note 23(b), for its office premises. Leases are negotiated for the next three years and rentals are fixed over the relevant lease.

## 22. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK\$1,250 (before June 2014) or HK\$1,500 (after June 2014) or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contributions made by the Group amounted to HK\$844,000, HK\$815,000, HK\$257,000 (unaudited) and HK\$261,000 for the years ended 31 March 2015 and 31 March 2016 and each of the four months ended 31 July 2015 and 31 July 2016, respectively.

### 23. RELATED PARTY DISCLOSURES

#### (a) Related party balances

Details of the outstanding balances with related parties are set out in the statements of financial position and in notes 16 and 28(c).

#### (b) Related party transactions

Saved as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 March		Four months ended 31 July	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Dream Knit	Commission expense	474	153	153	—
Firenze Apparel	Rental expense ( <i>Note</i> )	—	200	—	400

*Note:* Following the completion of the Business Transfer, a property retained by Firenze Apparel is continued to be used by the Group as the godown and ancillary office for a monthly rent of HK\$100,000.

#### (c) Security and guarantees provided by related parties

The Group's bank borrowings and bank overdraft are secured by security and guarantees provided by related parties and details are set out in note 19.



## (d) Compensation of the key management personnel

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Salaries and other benefits	3,751	4,135	1,282	1,481
Discretionary bonus	1,269	814	190	123
Retirement benefit scheme and contributions	<u>88</u>	<u>97</u>	<u>30</u>	<u>30</u>
Total	<u>5,108</u>	<u>5,046</u>	<u>1,502</u>	<u>1,634</u>

The remuneration of the key management personnel are determined having regard to the performance of the individuals.

## 24. PLEDGE OF ASSETS

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

	<u>As at 31 March</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 July</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	42,285	—	—
Pledged bank deposit	<u>6,667</u>	<u>6,000</u>	<u>6,000</u>
	<u>48,952</u>	<u>6,000</u>	<u>6,000</u>

## 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings and bank overdraft disclosed in note 19 and amounts due to related parties as set out in note 16(b), net of cash and cash equivalents, and equity attributable to owner of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

## 26. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	<u>The Group</u>		<u>The Company</u>		
	<u>As at 31 March</u>		<u>As at</u>	<u>As at</u>	
	<u>2015</u>	<u>2016</u>	<u>31 July</u>	<u>31 March</u>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Financial assets</b>					
Loans and receivables (including cash and cash equivalents)	<u>46,814</u>	<u>58,645</u>	<u>68,656</u>	<u>480</u>	<u>770</u>
<b>Financial liabilities</b>					
Amortised cost	<u>85,540</u>	<u>49,204</u>	<u>73,317</u>	<u>4,176</u>	<u>9,458</u>

## (b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and bills receivables, other receivables and deposits, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and bank overdraft. In addition, the Company's major financial instruments also include amounts due to subsidiaries.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*(i) *Currency risk*

Certain trade and bills receivables, other receivables, amounts due from/to related parties, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and bank overdraft of the Group and the Company and amounts due to subsidiaries of the Company are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group and the Company currently do not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	<u>The Group</u>			<u>The Company</u>	
	<u>As at 31 March</u>		<u>As at 31 July</u>	<u>As at 31 March</u>	<u>As at 31 July</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>					
HK\$	22,747	27,224	28,661	480	770
RMB	<u>10,034</u>	<u>5,160</u>	<u>1,461</u>	<u>—</u>	<u>—</u>
<b>Liabilities</b>					
HK\$	56,621	27,434	61,735	4,176	9,458
RMB	<u>370</u>	<u>—</u>	<u>1,220</u>	<u>—</u>	<u>—</u>

Since HK\$ is pegged to US\$, the risk of volatility between US\$ and HK\$ is limited and the directors of the Company consider that the risk is minimal. Accordingly, no sensitivity analysis for the currency risk of HK\$ is presented.

#### Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of RMB during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ as at 31 March 2015, 31 March 2016 and 31 July 2016. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year/period end for a 5% change in foreign currency rates as at 31 March 2015, 31 March 2016 and 31 July 2016. A positive number below indicates an increase in post-tax profit/a decrease in post-tax loss where RMB strengthens 5% against US\$ for each of the years ended 31 March 2015 and 31 March 2016 and the four months ended 31 July 2016. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on post-tax profit or loss.

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impact on post-tax profit or loss of the Group	<u>403</u>	<u>215</u>	<u>10</u>

#### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposit as set out in note 17. The Group and the Company are also exposed to cash flow interest rate risk in relation to floating-rate bank balances, bank borrowings and bank overdraft at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR, the Best Lending Rate and the Prime Rates quoted by certain banks in Hong Kong.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year/period. A 100 basis points and 10 basis points increase or decrease in the floating-rate interest bearing financial liabilities and financial assets respectively, are used and represent management's assessment of the reasonably possible change in interest rates for the years ended 31 March 2015 and 2016 and the four months ended 31 July 2016.

If interest rates on floating-rate interest-bearing financial liabilities had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2015 and 31 March 2016 would decrease/increase by HK\$296,000 and HK\$74,000 respectively while the Group's loss for the four months ended 31 July 2016 would increase/decrease by HK\$134,000.

For the floating-rate interest-bearing financial assets, based on the sensitivity analysis, the directors of the Company consider that the impact on post-tax profit or loss from changes in interest rates is insignificant for the Track Record Period.

### *Credit risk*

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade and bills receivables and amounts due from related parties. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on its pledged bank deposit and bank balance as the entire balances as at 31 March 2015, 31 March 2016 and 31 July 2016 are deposited with three banks. The credit risk of the Group on pledged bank deposit and bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2015, 31 March 2016 and 31 July 2016, the Group had concentration of credit risk as 53%, 56% and 51%, respectively, of the total trade receivables and bills receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 93%, 91% and 92% of the total trade receivables and bills receivable as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively. The Group normally grants a credit term of no longer than 90 days to these customers. All of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan arising from the Group's trading of garment business. 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.

### *Liquidity risk*

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

*Liquidity tables*

**As at 31 March 2015**

**The Group**

	<b>Weighted average effective interest rate</b>	<b>Repayable on demand or less than 1 month</b>	<b>1–3 months</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount at 31 March 2015</b>
	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-derivative financial liabilities</b>					
Trade payables	N/A	—	40,619	40,619	40,619
Amounts due to related parties	N/A	9,444	—	9,444	9,444
Bank borrowings — variable rate	3.48	35,477	—	35,477	35,477
		<u>44,921</u>	<u>40,619</u>	<u>85,540</u>	<u>85,540</u>

**As at 31 March 2016**

**The Group**

	<b>Weighted average effective interest rate</b>	<b>Repayable on demand or less than 1 month</b>	<b>1–3 months</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount at 31 March 2016</b>
	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	2,590	28,419	31,009	31,009
Amount due to a related party	N/A	9,295	—	9,295	9,295
Bank borrowings — variable rate	2.27	8,900	—	8,900	8,900
		<u>20,785</u>	<u>28,419</u>	<u>49,204</u>	<u>49,204</u>

As at 31 July 2016

## The Group

	<b>Weighted average effective interest rate</b>	<b>Repayable on demand or less than 1 month</b>	<b>1–3 months</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount at 31 July 2016</b>
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	5,297	10,699	15,996	15,996
Amount due to a related party	N/A	9,295	—	9,295	9,295
Bank borrowings — variable rate	2.61	46,621	—	46,621	46,621
Bank overdraft	3.50	1,405	—	1,405	1,405
		<u>62,618</u>	<u>10,699</u>	<u>73,317</u>	<u>73,317</u>

As at 31 March 2016

## The Company

	<b>Weighted average effective interest rate</b>	<b>Repayable on demand or less than 1 month</b>	<b>1–3 months</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amount at 31 March 2016</b>
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities</b>					
Other payable	N/A	1	—	1	1
Amounts due to subsidiaries	N/A	4,175	—	4,175	4,175
		<u>4,176</u>	<u>—</u>	<u>4,176</u>	<u>4,176</u>

As at 31 July 2016

## The Company

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	Total undiscounted cash flows	Carrying amount at 31 July 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities</b>					
Other payables	N/A	3,405	—	3,405	3,405
Amounts due to subsidiaries	N/A	6,053	—	6,053	6,053
		<u>9,458</u>	<u>—</u>	<u>9,458</u>	<u>9,458</u>

Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2015, 31 March 2016 and 31 July 2016, the aggregate carrying amounts of these bank borrowings were HK\$35,477,000, HK\$8,900,000 and HK\$46,621,000, respectively.

Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$36,344,000, HK\$8,967,000 and HK\$46,883,000 as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively, as set out below:

As at 31 March 2015

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2015
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings — variable rate	3.48	<u>22,054</u>	<u>567</u>	<u>2,551</u>	<u>10,791</u>	<u>381</u>	<u>36,344</u>	<u>35,477</u>

As at 31 March 2016

	Weighted average interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 March 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings — variable rate	2.27	<u>17</u>	<u>34</u>	<u>8,916</u>	<u>—</u>	<u>—</u>	<u>8,967</u>	<u>8,900</u>

As at 31 July 2016

	Weighted average interest rate	Repayable on demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying amount at 31 July 2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings — variable rate	2.61	114	41,580	5,189	—	—	46,883	46,621

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

**(c) Fair value**

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

**27. MAJOR NON-CASH TRANSACTIONS****For the year ended 31 March 2016**

As set out in note 1, the Business Transfer has been completed during the year ended 31 March 2016. Building properties amounting to HK\$41,200,000 and the associated bank borrowings amounting to HK\$11,172,000, were retained by Speed Apparel and Firenze Apparel, and accounted for as deemed distribution to Mr. Chan by the Group.

**28. FINANCIAL INFORMATION OF THE COMPANY****(a) Investment in a subsidiary of the Company**

	<b>As at 31 March 2016 and 31 July 2016</b>
	<i>HK\$'000</i>
Investment in Speed Apparel BVI	<u>1</u>



**(b) Movement of the Company's reserve**

	<u>Accumulated loss</u> <i>HK\$'000</i>
As at 19 November 2015 (date of incorporation)	—
Loss for the period	<u>(3,248)</u>
As at 31 March 2016	(3,248)
Loss for the period	<u>(6,486)</u>
As at 31 July 2016	<u><u>(9,734)</u></u>

- (c) Amounts due from/to subsidiaries as at 31 March 2016 and 31 July 2016 were denominated in HK\$, unsecured, interest-free and repayable on demand.

**B. SUBSEQUENT EVENTS****(a) Capitalisation issue**

Pursuant to a written resolution passed by the sole shareholder of the Company on 23 January 2017, conditional upon the crediting of the Company's share premium account as a result of the issue of the offer shares pursuant to the placing, the directors of the Company were authorised to capitalise an amount of approximately HK\$3,749,910 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 374,991,000 shares for allotment and issue to the shareholders as of 23 January 2017, on a pro rata basis.

**(b) Share option scheme**

Pursuant to the written resolution of the sole shareholder of the Company passed on 23 January 2017, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report.

**C. DIRECTORS' EMOLUMENTS**

Under the arrangement presently in force, each of the aggregate amount of directors' remuneration for the year ending 31 March 2017, excluding discretionary bonus and share-based payment, if any, is estimated to be HK\$3,260,000.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries or the Group in respect of any period subsequent to 31 July 2016.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong