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SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8183)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

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

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

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2018, unaudited operating results of the Group is as follows:

- Revenue of approximately HK\$198.2 million was recorded for the six months ended 30 September 2018;
- Profit after taxation for the six months ended 30 September 2018 amounted to approximately HK\$11.2 million;
- Basic earnings per Share for the six months ended 30 September 2018 based on weighted average number of ordinary Shares of 500,000,000 was approximately 2.25 HK cents; and
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018.

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2018 together with comparative unaudited figures for the corresponding period in 2017 as follows:

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

For the three months and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	180,835	158,700	198,168	197,223
Cost of sales		(146,816)	(136,077)	(161,346)	(169,309)
Gross profit		34,019	22,623	36,822	27,914
Other income	5	622	383	1,047	610
Other loss		(426)	(64)	(1,108)	(143)
Selling and distribution expenses		(7,577)	(7,382)	(11,653)	(13,032)
Administrative expenses		(5,844)	(6,657)	(11,302)	(11,892)
Listing expenses		-	-	-	(1,951)
Finance costs		(46)	(26)	(60)	(142)
Profit before taxation		20,748	8,877	13,746	1,364
Income tax expense	6	(2,512)	(560)	(2,517)	(570)
Profit for the period	8	18,236	8,317	11,229	794
Other comprehensive (expense) income					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(55)	26	(140)	52
Profit and total comprehensive income for the period attributable to owners of the Company		18,181	8,343	11,089	846
		HK cents	HK cents	HK cents	HK cents
Basic earnings per Share for the period attributable to owners of the Company	9	3.65	1.66	2.25	0.17

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	30 September 2018	31 March 2018
	HK\$'000	HK\$'000
<i>Notes</i>	(unaudited)	(audited)
Non-current assets		
Property, plant and equipment	2,086	1,680
Deferred tax asset	7	7
	<u>2,093</u>	<u>1,687</u>
Current assets		
Inventories	21,699	5,767
Trade and bills receivables	10 95,657	9,219
Prepayments, deposits and other receivables	6,209	4,490
Pledged bank deposits	14,450	15,864
Bank and cash balances	58,897	83,350
	<u>196,912</u>	<u>118,690</u>
Current liabilities		
Trade and other payables	11 93,934	26,884
Tax payable	2,485	818
Borrowings	6,382	–
Finance lease payable	125	122
	<u>102,926</u>	<u>27,824</u>
Net current assets	<u>93,986</u>	<u>90,866</u>
Total assets less current liabilities	<u>96,079</u>	<u>92,553</u>
Non-current liability		
Finance lease payable	199	262
	<u>199</u>	<u>262</u>
NET ASSETS	<u>95,880</u>	<u>92,291</u>
Capital and reserves		
Share capital	12 5,000	5,000
Reserves	90,880	87,291
TOTAL EQUITY	<u>95,880</u>	<u>92,291</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements for the six months ended 30 September 2018 are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Group, United States dollars (“**US\$**”). The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders of the Company and investors.

The shares of the Company (the “**Share(s)**”) have been listed on GEM since 31 May 2017 (the “**Listing**” and the “**Listing Date**”) by way of share offer (the “**Share Offer**”) (stock code: 8183).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the Interim Financial Statements include applicable disclosures required by the GEM Listing Rules. The Interim Financial Statements does not include all of the information and disclosures required in annual financial statements prepared in accordance with HKFRSs, which comprises all applicable individual HKFRSs and interpretations issued by HKICPA, and the Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2018.

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

The preparation of the Interim Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management of the Company in applying the relevant accounting policies and the key sources of estimation uncertainty of the Group were the same as those that applied to its annual financial statements for the year ended 31 March 2018.

3. ADOPTION OF NEW AND REVISED HKFRSs

Save as the adoption of new and revised HKFRSs issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2018, the accounting policies applied in preparing the Interim Financial Statements are consistent with those of the annual financial statements of the Group for the year ended 31 March 2018, as disclosed in the Company's annual report for the year ended 31 March 2018. The Directors anticipate that the application of these new and revised HKFRSs will not materially impact on the Interim Financial Statements. The Group has not early adopted any new and revised HKFRSs that have been issued by HKICPA but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

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

The following is an analysis of the Group's revenue by the geographical locations of the customers:

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Japan	105,898	150,911	120,688	185,383
The United States of America	45,032	–	45,032	–
Europe	15,347	–	15,347	–
Hong Kong	10,875	3,571	12,823	5,911
Others (<i>Note</i>)	3,683	4,218	4,278	5,929
	<u>180,835</u>	<u>158,700</u>	<u>198,168</u>	<u>197,223</u>
Total revenue	<u>180,835</u>	<u>158,700</u>	<u>198,168</u>	<u>197,223</u>

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

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

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	59,651	90,171	66,543	115,904
Customer B	66,165	–	66,165	–
Customer C	18,058	29,825	19,935	31,969

5. OTHER INCOME

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

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Sample sales income	495	383	763	608
Bank interest income	127	–	284	2
Total other income	<u>622</u>	<u>383</u>	<u>1,047</u>	<u>610</u>

6. INCOME TAX EXPENSE

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

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Hong Kong Profits Tax				
Current period	<u>2,446</u>	<u>562</u>	<u>2,446</u>	<u>564</u>
PRC Enterprise Income Tax ("EIT")				
Current period	66	32	71	40
Overprovision in prior year	<u>–</u>	<u>(107)</u>	<u>–</u>	<u>(107)</u>
	<u>66</u>	<u>(75)</u>	<u>71</u>	<u>(67)</u>
Deferred tax expense	<u>–</u>	<u>73</u>	<u>–</u>	<u>73</u>
Total income tax expense	<u>2,512</u>	<u>560</u>	<u>2,517</u>	<u>570</u>

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

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

A subsidiary of the Company in Japan is subject to national corporate tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the six months ended 30 September 2018.

No provision for Japan corporate income tax has been made as the subsidiary in Japan did not generate any assessable profits during the six months ended 30 September 2018.

7. DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

Dividends approved and paid during the six months ended 30 September 2018 is as follows:

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend in respect of the year ended 31 March 2018, approved and paid to the shareholders of the Company during the six months ended 30 September 2018 of 1.5 HK cents per share (for the six months ended 30 September 2017: Nil)	7,500	–
Total dividends paid	7,500	–

8. PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:				
Staff costs (including Directors' remuneration):				
Fees	90	90	180	121
Salaries and other benefits	5,784	5,737	11,589	11,740
Retirement benefit scheme contributions	228	232	449	450
	<hr/>	<hr/>	<hr/>	<hr/>
Total employee benefits expenses	6,102	6,059	12,218	12,311
Interest expenses on				
Bank borrowings	42	21	52	131
Finance lease	4	5	8	11
	<hr/>	<hr/>	<hr/>	<hr/>
	46	26	60	142
Auditor's remuneration	115	160	228	360
Depreciation of property, plant and equipment	251	248	486	462
Net foreign exchange losses	426	64	1,108	143
Cost of inventories recognized as cost of sales	146,816	136,077	161,346	169,309
Operating lease charges	443	307	891	615
Commission expenses (included in selling and distribution expenses)	2,450	853	2,568	1,045
Sample charges (included in selling and distribution expenses)	1,170	1,831	1,811	3,617
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Earnings:				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per Share	<u>18,236</u>	<u>8,317</u>	<u>11,229</u>	<u>794</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of Shares:				
Weighted average number of ordinary Shares for the purpose of basic earnings per Share	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>459,016</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per Share for the period attributable to owners of the Company	<u><u>3.65</u></u>	<u><u>1.66</u></u>	<u><u>2.25</u></u>	<u><u>0.17</u></u>

No diluted earnings per Share is presented for the six months ended 30 September 2018 and 2017 as there were no potential dilutive ordinary Shares outstanding during the respective periods.

10. TRADE AND BILLS RECEIVABLES

No allowance for bad and doubtful debt was provided for the six months ended 30 September 2018 and 2017 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

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

The following is an aging 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 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
1 – 30 days	67,202	7,865
31 – 60 days	28,078	917
61 – 90 days	292	332
Over 90 days	85	105
	<u>95,657</u>	<u>9,219</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade payables	79,818	22,855
Accruals and other payables	14,116	4,029
	<u>93,934</u>	<u>26,884</u>

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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
1 – 30 days	43,336	6,760
31 – 60 days	36,308	14,872
61 – 90 days	32	180
Over 90 days	142	1,043
	<u>79,818</u>	<u>22,855</u>

12. SHARE CAPITAL

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

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018 (audited) and at 30 September 2018 (unaudited)	<u>1,000,000</u>	<u>10,000</u>
Issued:		
At 1 April 2018 (audited) and at 30 September 2018 (unaudited)	<u>500,000</u>	<u>5,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products predominantly in the Japan market. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan, which their products are marketed and sold under their own brands. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group. Since the Group does not own or operate any manufacturing operations, the Group will outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC and/or Thailand.

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$198.2 million for the six months ended 30 September 2018, representing an increase of approximately 0.5% as compared to the amount of approximately HK\$197.2 million for the corresponding period last year. The Group's gross profit for the six months ended 30 September 2018 amounted to approximately HK\$36.8 million (for the six months ended 30 September 2017: approximately HK\$27.9 million). The increase in the Group's gross profit for the six months ended 30 September 2018 was mainly attributable to the revenue from a significant new customer (the "New Customer") with relatively higher gross profit margin than the existing customers which resulted the overall gross profit margin of the Group increased to approximately 18.6% for the six months ended 30 September 2018 from approximately 14.2% for the six months ended 30 September 2017. The Group's profit and total comprehensive income attributable to owners of the Company increased significantly from approximately HK\$0.8 million for the six months ended 30 September 2017 to approximately HK\$11.1 million for the six months ended 30 September 2018. Such significant increase was mainly attributable to (i) the increase in the Group's gross profit as aforementioned; and (ii) nil non-recurring listing expenses for the six months ended 30 September 2018 comparing to approximately HK\$2.0 million non-recurring listing expenses incurred for the six months ended 30 September 2017. Despite the continuing challenges of the global economies and the trading environment, the Group was able to strengthen and diversify its customers' base by securing the New Customer outside the Japan market. The revenue derived from the New Customer accounted for approximately 33.4% of the Group's total revenue for the six months ended 30 September 2018.

To cope with the challenging global business environment and to cater to its expansion plan, the Group held a grand opening of the showroom in Japan in late June 2018. By setting up a showroom, and an office for a design team and an account servicing team in Japan, the Group will be able to display and promote more sample products to customers and to respond to customers' demands in a more efficient and effective manner which in turn may create more business opportunities and further strengthen the corporate image to the existing and potential customers.

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2018, the Group expanded its products mix to include kidswear products in addition to the womenswear and menswear products. The Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 57.6% of the Group's total revenue. The following table sets out a breakdown of the Group's revenue by product categories for each of the reporting period:

	Six months ended 30 September				Percentage of change %
	2018 <i>HK\$'000</i> (unaudited)	%	2017 <i>HK\$'000</i> (unaudited)	%	
Womenswear	114,172	57.6	155,247	78.7	(26.5)
Menswear	42,408	21.4	41,976	21.3	1.0
Kidswear	41,588	21.0	–	–	–
Total revenue	<u>198,168</u>	<u>100.0</u>	<u>197,223</u>	<u>100.0</u>	<u>0.5</u>

During the six months ended 30 September 2018, the sales volume of the Group amounted to approximately 3.0 million pieces of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Six months ended 30 September				Percentage of change
	2018		2017		
	Pieces '000 (unaudited)	%	Pieces '000 (unaudited)	%	
Womenswear	1,758	57.7	2,952	81.2	(40.4)
Menswear	638	20.9	683	18.8	(6.6)
Kidswear	651	21.4	–	–	–
Total sales quantity	<u>3,047</u>	<u>100.0</u>	<u>3,635</u>	<u>100.0</u>	<u>(16.2)</u>

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

	Six months ended 30 September		
	2018	2017	Percentage of change
	Average selling price HK\$ (unaudited) (Note)	Average selling price HK\$ (unaudited) (Note)	
Womenswear	64.9	52.6	
Menswear	66.5	61.5	8.1
Kidswear	63.9	–	–
Overall average selling price	<u>65.0</u>	<u>54.3</u>	<u>19.7</u>

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

The Group's revenue increased by approximately HK\$1.0 million, or 0.5%, from approximately HK\$197.2 million for the six months ended 30 September 2017 to approximately HK\$198.2 million for the six months ended 30 September 2018. The slight increase in revenue was primarily attributable to the substantial increase in sales volume of kidswear products coupled with the increase in average selling price of the womenswear products which mitigated the substantial decrease in sales volume of the womenswear products.

Womenswear

During the six months ended 30 September 2018, the Group's revenue was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products decreased significantly by approximately HK\$41.0 million or 26.5%, from approximately HK\$155.2 million for the six months ended 30 September 2017 to approximately HK\$114.2 million for the six months ended 30 September 2018. Such significant decrease was mainly attributable to the decrease in sales quantity from approximately 3.0 million pieces for six months ended 30 September 2017 to approximately 1.8 million pieces for the six months ended 30 September 2018, which outweighs the increase in average selling price from approximately HK\$52.6 for the six months ended 30 September 2017 to approximately HK\$64.9 for the six months ended 30 September 2018.

Menswear

The Group's revenue derived from the sales of menswear products increased slightly by approximately HK\$0.4 million or 1.0%, from approximately HK\$42.0 million for the six months ended 30 September 2017 to approximately HK\$42.4 million for the six months ended 30 September 2018. Such slight increase was mainly attributable to the increase in average selling price from approximately HK\$61.5 for the six months ended 30 September 2017 to approximately HK\$66.5 for the six months ended 30 September 2018, which outweighs the slight decrease in sales volume of menswear from approximately 0.7 million pieces for the six months ended 30 September 2017 to approximately 0.6 million pieces for the six months ended 30 September 2018.

Kidswear

During the six months ended 30 September 2018, the Group further expanded its product variety to include kidswear products. The revenue derived from the kidswear products amounted to approximately HK\$41.6 million and accounted for approximately 21.0% of the total revenue of the Group for the six months ended 30 September 2018.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales decreased to approximately HK\$161.3 million for the six months ended 30 September 2018 from approximately HK\$169.3 million for the six months ended 30 September 2017, representing a decrease of approximately 4.7%.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$36.8 million for the six months ended 30 September 2018 from approximately HK\$27.9 million for the six months ended 30 September 2017, representing an increase of approximately 31.9%. The increase was mainly attributable to the expansion of our customer mix as the Group solicited the New Customer whose revenue accounted for approximately 33.4% of the Group's total revenue for the six months ended 30 September 2018, and the revenue derived from the New Customer have a relatively higher gross profit margin than the existing customers which in turn significantly improved the Group's overall gross profit margin. The Group's gross profit margin increased to approximately 18.6% for the six months ended 30 September 2018 from approximately 14.2% for the six months ended 30 September 2017. Such increase in the Group's gross profit margin was mainly attributable to the decrease in purchase orders of knitwear products with lower gross profit margins from existing major customers and the expansion of our customer mix as aforementioned. During the six months ended 30 September 2018, the Group endeavoured to improve its gross profit margin whilst offering satisfactory supply chain management total solutions to its customers.

Other income

Other income mainly consists of sample sales income and bank interest income. The Group's other income increased to approximately HK\$1.0 million for the six months ended 30 September 2018 from approximately HK\$0.6 million for the six months ended 30 September 2017. Such increase in the Group's other income was mainly attributable to the increase in both the sample sales income and the bank interest income.

Other loss

The Group recorded other loss amounting to approximately HK\$1.1 million for the six months ended 30 September 2018 from approximately HK\$0.1 million for the six months ended 30 September 2017. The increase in other loss was mainly due to the foreign exchange loss arising from the foreign currency fluctuations in respect of the Group's pledged bank deposits denominated in Renminbi ("RMB") primarily due to the depreciation of RMB during the reporting period.

Selling and distribution expenses

Selling and distribution expenses primarily consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses decreased to approximately HK\$11.7 million for the six months ended 30 September 2018 from approximately HK\$13.0 million for the six months ended 30 September 2017, representing a decrease of approximately 10.0%. Such a decrease was mainly attributable to a decrease in (i) logistic expenses; (ii) sample costs; and (iii) staff costs and benefits of merchandising staff, which in aggregate outweighs an increase in advertising and commission expenses.

Administrative expenses

Administrative expenses primarily consist of audit fees, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates and staff costs and benefits of general and administrative staff. Administrative expenses decreased to approximately HK\$11.3 million for the six months ended 30 September 2018 from approximately HK\$11.9 million for the six months ended 30 September 2017, representing a decrease of approximately 5.0%. Such decrease was mainly attributable to the decrease in (i) bank charges; and (ii) overseas and local travelling incurred for the six months ended 30 September 2018.

Listing expenses

There was nil non-recurring listing expenses recognised for the six months ended 30 September 2018 whilst there was approximately HK\$2.0 million of non-recurring listing expenses recognised for the six months ended 30 September 2017.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company amounted to approximately HK\$11.1 million for the six months ended 30 September 2018, representing approximately 13.9 times of approximately HK\$0.8 million for the six months ended 30 September 2017. If the non-recurring listing expenses of approximately HK\$2.0 million for the six months ended 30 September 2017 were excluded, the Group's adjusted profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2018 would have been approximately 4.0 times of the adjusted profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2017 of approximately HK\$2.8 million.

BASIC EARNINGS PER SHARE

The Company's basic earnings per Share for the six months ended 30 September 2018 was approximately 2.3 HK cents, representing approximately 11.5 times of the basic earnings per Share of approximately 0.2 HK cents for the six months ended 30 September 2017. The increase in the Company's basic earnings per Share for the six months ended 30 September 2018 was in line with the profit attributable to the owners of the Company for the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2018, the Group's operations were generally financed through an internally generated cash flows, borrowings from banks and proceeds raised from the Share Offer. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 30 September 2018 and 31 March 2018, the Group had net current assets of approximately HK\$94.0 million and HK\$90.9 million respectively, including bank and cash balances of approximately HK\$58.9 million and HK\$83.4 million, respectively. The Group's current ratio decreased from approximately 4.3 as at 31 March 2018 to approximately 1.9 as at 30 September 2018. Such decrease was mainly as a result of an increase in bank borrowings and a decrease in bank and cash balances during the six months ended 30 September 2018.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and finance lease payable) divided by total equity at the respective reporting date. As at 30 September 2018, the Group's gearing ratio was approximately 0.1 times, while it was nil as at 31 March 2018. Such increase was mainly due to the increase in bank borrowings during the six months ended 30 September 2018. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances, banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

CAPITAL STRUCTURE

The share capital of the Company only comprises ordinary Shares. As at 30 September 2018, the Company's issued share capital amounted to HK\$5.0 million divided by 500,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

As at 30 September 2018 and 31 March 2018, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 16 May 2017 (the "Prospectus"), the Group currently has no other plan for material investments and capital assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2018, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

PLEDGE OF ASSETS

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

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
Pledged bank deposits	<u>14,450</u>	<u>15,864</u>
	<u>14,450</u>	<u>15,864</u>

COMMITMENTS

The Group's contractual commitments were primarily related to the leases of its office premises in Hong Kong, Japan and the PRC, respectively. As at 30 September 2018 and 31 March 2018, the Group's operating lease commitments amounted to approximately HK\$1.2 million and HK\$2.1 million, respectively. As at 30 September 2018, the Group did not have any significant capital commitments (as at 31 March 2018: Nil).

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2018 (as at 31 March 2018: Nil).

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed a total of 67 full-time employees (as at 30 September 2017: 76). The Group's staff costs primarily consist of Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2018 and 2017, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$12.2 million and HK\$12.3 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contributed to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

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

USE OF PROCEEDS

The Shares were successfully listed on GEM of the Stock Exchange on the Listing Date. The Group raised the net proceeds (the “**Net Proceeds**”) from the Share Offer of approximately HK\$35.9 million after deducting all the relevant commission and expenses in relation to the Listing which was lower than the estimated amount as stated in the Prospectus. The Net Proceeds is intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus for the period from the Listing Date to 31 March 2020. Consequently, the Group adjusted and applied the Net Proceeds in the same manner and in the same proportion as shown in the Prospectus.

The following table sets forth an analysis of the utilisation of Net Proceeds during the six months ended 30 September 2018:

	Adjusted planned use of Net Proceeds as stated in the Prospectus up to 30 September 2018 <i>HK\$ million</i>	Actual use of Net Proceeds up to 30 September 2018 <i>HK\$ million</i>
Strengthening and diversifying the Group’s customers base	2.3	2.3
Further expanding the Group’s product mix to cater to the customers’ need	4.1	3.8
Enhancing the Group’s design and development capabilities	4.4	3.8
Enhancing the Group’s inventory management to strengthen operational efficiency	6.9	6.5
	<u>17.7</u>	<u>16.4</u>

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of the Net Proceeds was applied in accordance with the actual development of the Group’s business and the market it is operating in.

As at 30 September 2018, approximately HK\$16.4 million out of the Net Proceeds from the Share Offer had been used. The unutilised Net Proceeds are deposited in licensed banks in Hong Kong.

FUTURE PROSPECTS

The Group has set up a new merchandising team and recruited merchandisers and a new designer responsible for the development of the Group's product variety. The Group will continue to develop and create more promotion samples for further expansion of the Group's product variety to cater to the existing and potential customers' needs.

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

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

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the six months ended 30 September 2018.

INTERESTS OF THE COMPLIANCE ADVISER

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

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 September 2018 which would materially affect the Group's operations and financial performance.

AUDIT COMMITTEE

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

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 September 2018 before recommending it to the Board for approval.

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

Hong Kong, 7 November 2018

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