

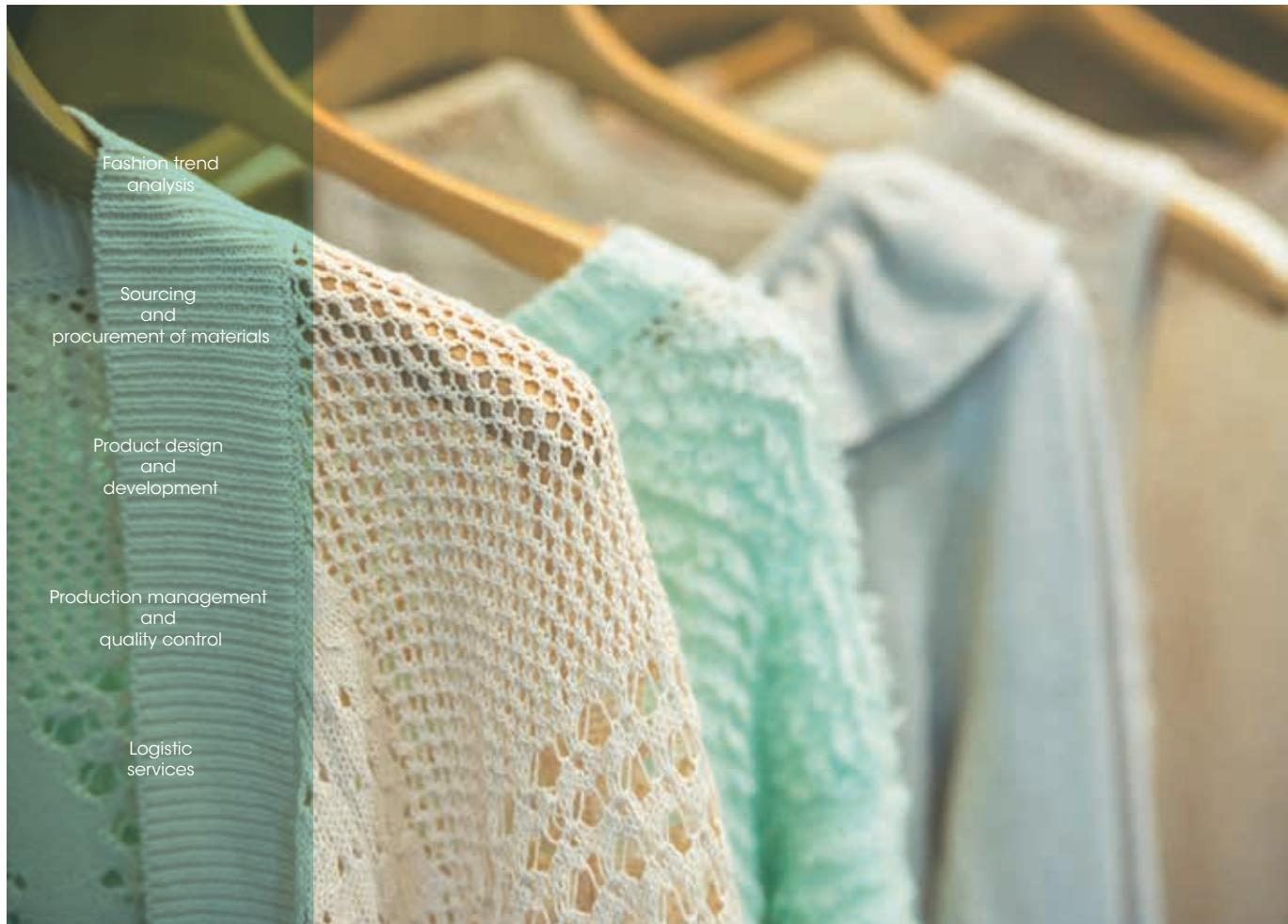


Speed Apparel Holding Limited

尚捷集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8183



ANNUAL REPORT

2018/2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wing Kai
(Chairman and chief executive officer)
Mr. Ng Ming Ho

Independent non-executive Directors

Ms. Chan Siu Lai
Mr. Kwok Chi Shing
Mr. Ma Kwok Fai, Edwin

COMPANY SECRETARY

Ms. Wu Yu Lim, Winnie

COMPLIANCE OFFICER

Mr. Chan Wing Kai

AUTHORISED REPRESENTATIVES

Mr. Chan Wing Kai
Mr. Ng Ming Ho

AUDIT COMMITTEE

Mr. Kwok Chi Shing
(Chairman of Audit Committee)
Ms. Chan Siu Lai
Mr. Ma Kwok Fai, Edwin

REMUNERATION COMMITTEE

Ms. Chan Siu Lai
(Chairlady of Remuneration Committee)
Mr. Kwok Chi Shing
Mr. Ma Kwok Fai, Edwin

NOMINATION COMMITTEE

Mr. Ma Kwok Fai, Edwin
(Chairman of Nomination Committee)
Ms. Chan Siu Lai
Mr. Kwok Chi Shing

AUDITOR

Zhonghui Anda CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(With effect from 11 July 2019, Tricor Investor Services Limited will change its address to:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong)

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.speedapparel.com.hk

STOCK CODE

8183

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019.

BUSINESS OVERVIEW

It has been challenging and exciting to the Group during the year under review. Since the opening of the showroom in Japan in late June 2018, the Group received positive feedback from our customers and attracted potential owners of apparel retail brands in Japan to participate in co-organised private exhibitions. In spite of global economic uncertainties, the Group solicited a significant new customer (the "**New Customer**") based in the United States of America (the "**USA**"), which is in line with the Group's strategy to strengthen and diversify our customers base.

In light of the foregoing, the Group's revenue for the year ended 31 March 2019 increased to approximately HK\$433.0 million, representing an increase of approximately HK\$42.6 million or 10.9% compared to approximately HK\$390.4 million for the year ended 31 March 2018. During the reporting period, the Group has optimised its policies on receiving customers' purchase orders in order to improve its gross profit margins. The change in such policies has led to the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group. The Group's gross profit has notably increased by approximately 29.5% to approximately HK\$83.5 million, while the gross profit margins has improved to approximately 19.3% as compared to the year ended 31 March 2018. All of the aforementioned factors have led to a significant increase in the Group's total comprehensive income attributable to owners of the Company by approximately 90.8% to approximately HK\$27.1 million as compared to the year ended 31 March 2018. The Board has recommended the payment of a final dividend of 1.6 HK cents per share to the shareholders (the "**Shareholders**") of the Company as a reward for their unwavering support.

PROSPECTS

The Group expects the coming year to remain challenging due to keen competition among the industry and the trade war between the People's Republic of China (the "**PRC**") and the USA. 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. The Directors will also continue to explore opportunities to diversify the Group's operations and to enable the customer base of the Group.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my heartfelt gratitude to all of our business partners, customers, suppliers and the Shareholders for their continuous support.

Speed Apparel Holding Limited

Chan Wing Kai

Chairman and executive Director

Hong Kong, 10 June 2019

INTRODUCTION

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

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

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$433.0 million for the year ended 31 March 2019, representing an increase of approximately 10.9% as compared to the amount of approximately HK\$390.4 million for the corresponding period last year. The increase in the Group's revenue for the year ended 31 March 2019 was mainly attributable to the change of customer mix as the Group solicited the New Customer which contributed approximately 31.1% of the Group's total revenue for the year ended 31 March 2019. The Group's gross profit for the year ended 31 March 2019 amounted to approximately HK\$83.5 million (for the year ended 31 March 2018: approximately HK\$64.5 million). The Group's gross profit margins increased to approximately 19.3% for the year ended 31 March 2019 from approximately 16.5% for the year ended 31 March 2018. Such increase in the Group's gross profit margins was mainly attributable to (i) the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group and (ii) the expansion of the customer mix as aforementioned. The Group's total comprehensive income attributable to owners of the Company increased significantly from approximately HK\$14.2 million for year ended 31 March 2018 to approximately HK\$27.1 million for the year ended 31 March 2019, representing a significant increase of approximately HK\$12.9 million or approximately 90.8%. Such significant increase was mainly attributable to the increase in the Group's revenue and the overall increase in its gross profit margins as aforementioned. 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.

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 is 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2019, in addition to the sales of womenswear and menswear products, the Group expanded its product mix to include sales of kidswear products. The Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 62.2% of the Group's total revenue for the year ended 31 March 2019. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2019:

	Year ended 31 March		2018	Rate of change	
	2019 HK\$'000	%	HK\$'000	%	%
Womenswear	269,261	62.2	327,228	83.8	(17.7)
Menswear	74,759	17.3	63,195	16.2	18.3
Kidswear	88,984	20.5	–	–	–
Total	433,004	100.0	390,423	100.0	10.9

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

	Year ended 31 March		2018	Rate of change	
	2019 Pieces ('000)	%	Pieces ('000)	%	%
Womenswear	4,395	64.6	6,055	85.8	(27.4)
Menswear	1,058	15.6	1,001	14.2	5.7
Kidswear	1,349	19.8	–	–	–
Total	6,802	100.0	7,056	100.0	(3.6)

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2019:

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended 31 March		
	2019	2018	
	Average selling price ^(Note)	Average selling price ^(Note)	Rate of change
	HK\$	HK\$	%
Womenswear	61.3	54.0	13.5
Menswear	70.7	63.1	12.0
Kidswear	66.0	—	—
Overall average selling price per piece	63.7	55.3	15.2

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

The Group's revenue increased by approximately 10.9%, or approximately HK\$42.6 million, from approximately HK\$390.4 million for the year ended 31 March 2018 to approximately HK\$433.0 million for the year ended 31 March 2019. The increase in revenue was primarily attributable to the expansion of product mix to kidswear products with substantial sales volume and the increase in an average selling price per piece of both womenswear and menswear products, which in aggregate mitigated the substantial decrease in sales volume of womenswear products for the year ended 31 March 2019.

Womenswear

During the year ended 31 March 2019, the Group's revenue was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products decreased by approximately HK\$57.9 million or approximately 17.7% from approximately HK\$327.2 million for the year ended 31 March 2018 to approximately HK\$269.3 million for the year ended 31 March 2019. Such decrease was mainly attributable to the decrease in sales quantity from approximately 6.1 million pieces for the year ended 31 March 2018 to approximately 4.4 million pieces for the year ended 31 March 2019, which outweighs the increase in average selling price per piece from approximately HK\$54.0 for the year ended 31 March 2018 to approximately HK\$61.3 for the year ended 31 March 2019.

Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$11.6 million or approximately 18.3%, from approximately HK\$63.2 million for the year ended 31 March 2018 to approximately HK\$74.8 million for the year ended 31 March 2019. Such increase was mainly attributable to the increase in average selling price per piece from approximately HK\$63.1 for the year ended 31 March 2018 to approximately HK\$70.7 for the year ended 31 March 2019 and the slight increase in sales volume of menswear products from approximately 1.0 million pieces for the year ended 31 March 2018 to approximately 1.1 million pieces for the year ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Kidswear

During the year ended 31 March 2019, the Group further expanded its product mix to include sales of kidswear products. The revenue derived from kidswear products amounted to approximately HK\$89.0 million and accounted for approximately 20.5% of the total revenue of the Group for the year ended 31 March 2019.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges. The cost of sales increased to approximately HK\$349.5 million for the year ended 31 March 2019 from approximately HK\$326.0 million for the year ended 31 March 2018, representing an increase of approximately 7.2%. The increase of the Group's cost of sales was in line with the increase in the Group's revenue of approximately 10.9% for the year ended 31 March 2019.

Gross profit and gross profit margins

The Group's gross profit significantly increased to approximately HK\$83.5 million for the year ended 31 March 2019 from approximately HK\$64.5 million for the year ended 31 March 2018, representing an increase of approximately 29.5%. The Group's gross profit margins increased to approximately 19.3% for the year ended 31 March 2019 from approximately 16.5% for the year ended 31 March 2018. The increase in the Group's gross profit and the gross profit margins was mainly attributable to (i) the expansion of the customer mix as the Group solicited the New Customer from which the revenue derived from accounted for approximately 31.1% of the Group's total revenue for the year ended 31 March 2019 and (ii) the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group. During the year ended 31 March 2019, the Group endeavoured to improve its gross profit margins whilst offering satisfactory supply chain management total solutions to its customers.

Interest income

The Group's interest income increased by approximately HK\$0.2 million or approximately 66.7% from approximately HK\$0.3 million for the year ended 31 March 2018 to approximately HK\$0.5 million for the year ended 31 March 2019.

Other income

Other income mainly consists of sample sales income and exchange gain/loss. The Group's other income decreased to approximately HK\$0.7 million for the year ended 31 March 2019 from approximately HK\$1.9 million for the year ended 31 March 2018, representing a decrease of approximately 63.2%. The decrease was mainly attributable to the Group recorded an exchange loss of approximately HK\$0.6 million for the year ended 31 March 2019 as compared to the exchange gain of approximately HK\$0.7 million for the year ended 31 March 2018. The exchange loss was mainly due to the foreign exchange loss arising from foreign currency fluctuations in respect of the Group's pledged bank deposit denominated in Renminbi ("RMB") primarily due to the depreciation of RMB during the reporting period.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased to approximately HK\$27.8 million for the year ended 31 March 2019 from approximately HK\$23.5 million for the year ended 31 March 2018, representing an increase of approximately 18.3%. Such increase in the Group's selling and distribution expenses was mainly attributable to the increase in commission expenses and sample costs.

Administrative expenses

Administrative expenses primarily consist of audit fees, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses increased to approximately HK\$24.0 million for the year ended 31 March 2019 from approximately HK\$23.1 million for the year ended 31 March 2018, representing a slight increase of approximately 3.9%. Such slight increase was mainly attributable to the increase in administrative expenses incurred in respect of the opening of the office as well as showroom in Japan.

Listing expenses

There was nil non-recurring listing expenses recognised for the year ended 31 March 2019 as compared to approximately HK\$2.6 million of non-recurring listing expenses recognised for the year ended 31 March 2018.

Finance costs

The Group's finance costs decreased by approximately HK\$0.1 million or 50.0% from approximately HK\$0.2 million for the year ended 31 March 2018 to approximately HK\$0.1 million for the year ended 31 March 2019, which was primarily due to a decrease in interest expenses on the Group's bank borrowings for the year ended 31 March 2019.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company amounted to approximately HK\$27.1 million for the year ended 31 March 2019, representing an increase of approximately 90.8% from approximately HK\$14.2 million for the year ended 31 March 2018. If the non-recurring listing expenses of approximately HK\$2.6 million for the year ended 31 March 2018 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2019 would have been increased by approximately 61.3% as compared to the adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2018 of approximately HK\$16.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BASIC EARNINGS PER SHARE

The Company's basic earnings per share for the year ended 31 March 2019 was approximately 5.5 HK cents (2018: approximately 2.9 HK cents), representing an increase of approximately 2.6 HK cents, or approximately 89.7%, which is in line with the profit for the year attributable to the owners of the Company, as compared to the year ended 31 March 2018.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of 1.6 HK cents per share for the year ended 31 March 2019 (2018: 1.5 HK cents) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 21 August 2019. The proposed final dividend, subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on Tuesday, 13 August 2019, will be paid on or about Wednesday, 11 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2019, the Group's operations were generally financed through its internally generated cash flows, the Net Proceeds and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2019 and 2018, the Group had net current assets of approximately HK\$108.7 million and HK\$90.9 million, respectively, including bank and cash balances of approximately HK\$77.7 million and HK\$83.4 million, respectively. The Group's current ratio increased slightly from approximately 4.3 as at 31 March 2018 to approximately 4.4 as at 31 March 2019. Such slight increase was mainly as a result of an increase in trade and bills receivables, prepayments, deposits and other receivables during the year ended 31 March 2019.

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 31 March 2019 and 2018, the Group's gearing ratio was nil, respectively, as there were full repayment of bank borrowings and the amount of finance lease payable is relatively insignificant for both years. The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances, and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is taken to recover overdue debts and reduce the Group's exposure to credit risk. 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. As at 31 March 2019, the Group had

MANAGEMENT DISCUSSION AND ANALYSIS

concentration of credit risk approximately 88.0% (2018: approximately 52.0%) of the total trade and bills receivables due from the Group's five largest customers. The Group normally grants an average credit period of 30 to 90 days to these customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

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

COMMITMENTS

The Group's contractual commitments were primarily related to the leases of its office premises. As at 31 March 2019 and 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within one year	1,728	1,597
In the second to fifth year inclusive	2,200	497
Total	3,928	2,094

As at 31 March 2019, the Group did not have any significant capital commitments (31 March 2018: Nil).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since the Listing. The share capital of the Company only comprises ordinary shares.

As at 31 March 2019, the Company's issued share capital amounting to HK\$5.0 million divided by 500,000,000 shares of HK\$0.01 each.

Details of changes in the Company's share capital for the year ended 31 March 2019 are set out in note 23 to the consolidated financial statements in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 31 March 2019 and 2018, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Pledged bank deposit	14,925	15,864

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 61 full-time employees (31 March 2018: 75). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2019 and 2018, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$23.8 million and HK\$24.5 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019, the Group mainly carries out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC.

ENVIRONMENTAL POLICY

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

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 1 to 16 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement between the employees, the customers and the suppliers of the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress up to 31 March 2019:

**Business objectives up to 31
March 2019 as stated in the
Prospectus**

Actual business progress up to 31 March 2019

Strengthening and diversifying the Group's customer base

- The Group arranged sales visits and co-organised private exhibitions in Japan and the PRC respectively;
- The respective merchandising team, design and promotion team visited and arranged presentations to the existing and potential customers. There were six new customers and thirty-six new brands solicited during the reporting period; and
- Designers actively participated in trade fairs and fashion shows.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 31 March 2019 as stated in the Prospectus

Further expanding the Group's product variety to cater for the customers' need

Actual business progress up to 31 March 2019

- Developed and created promotion samples of cut-and-sewn knitwear and seamless knitwear for presentation to existing and potential customers as planned;
- Further to the sales visits and presentations of the seamless knitwear and cut-and-sewn knitwear products to customers, the Group commenced to receive sales orders of new product namely seamless knitwear products from existing customers of the Group and the revenue of approximately HK\$10.2 million derived from seamless knitwear products was recorded during the reporting period. No sales orders of cut-and-sewn knitwear products received yet from customers during the reporting period; and
- Second unit of computer graphic design system acquired to support the Group's product design and development. Further software upgrades on the first unit of computer graphic design system was also implemented during the reporting period to maintain its efficiency.
- The Group incorporated a subsidiary in Japan to set up a showroom and an office for a design team and an account servicing team. By setting up a showroom in Japan, the Group is able to display and promote more sample products to existing customers and to facilitate the demands from the local customers more efficiently which in turn may create more business opportunities and further strengthen the corporate image of the Group to its customers;
- The Group acquired a computerised colour matching machine which enables the Group to perform colour checks on the products so as to enhance the quality control capabilities of the Group;
- The Group sponsored designers and relevant staff (i) to attend trade fairs and fashion shows such as Spinexpo in Shanghai, the PRC; and (ii) to participate in on-line trainings to keep abreast of global trends of apparel industry; and
- All designers' computer equipment and software were upgraded during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 31 March 2019 as stated in the Prospectus

Actual business progress up to 31 March 2019

Enhancing the Group's inventory management to strengthen operational efficiency	<ul style="list-style-type: none"> Purchased and maintained inventories levels of raw materials as planned; and The Group acquired a tailor-made inventory management system which requires certain time for trial run stage prior to its implementation in operation.
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USE OF PROCEEDS

The Shares were successfully listed on GEM of the Stock Exchange on the Listing Date. The Group raised the Net Proceeds of approximately HK\$35.9 million 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 the Net Proceeds in the same manner and in the same proportion as stated in the Prospectus.

The following table sets forth an analysis of the utilisation of Net Proceeds during the year ended 31 March 2019:

	Adjusted planned use of Net Proceeds as stated in the Prospectus up to 31 March 2019 HK\$ million	Actual use of Net Proceeds up to 31 March 2019 HK\$ million
Strengthening and diversifying the Group's customers base	3.1	3.1
Further expanding the Group's product mix to cater to the customers' need	6.7	6.6
Enhancing the Group's design and development capabilities	5.4	5.5
Enhancing the Group's inventory management to strengthen operational efficiency	9.4	9.5
Total	24.6	24.7

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

As at 31 March 2019, approximately HK\$24.7 million out of the Net Proceeds had been used. The unutilised Net Proceeds are deposited in licensed banks in Hong Kong.

FUTURE PROSPECTS

The Group expects the coming year to remain challenging due to keen competition within the industry and the trade war between the PRC and the USA. 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 the corporate image of the Group 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 the business growth of the Group in the long run.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wing Kai (陳永啟) ("Mr. Chan"), aged 50, was appointed as a Director of the Company on 19 November 2015 and was designated as an executive Director, the chairman of the Board, the chief executive officer and the compliance officer of the Company on 15 June 2016 for an initial term of three years commencing from the Listing Date. He is responsible for the overall strategic planning and corporate policy making, as well as business development and day-to-day management of the Group's business operations. He is also a director of each of the subsidiaries of the Company save as Speed Apparel (SZ) Trading Company Limited* in the PRC (the "PRC Subsidiary") and a director of Speed Development Co. Ltd, a controlling shareholder of the Company.

Mr. Chan completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled "Professional certificate in business management" co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan has more than 27 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000. He was responsible for the operation and management of the Group's business since he joined the Group.

Mr. Chan did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

* English name for identification purpose only

Mr. Ng Ming Ho (吳明豪), aged 50, was appointed as an executive Director on 15 June 2016 and is responsible for the overall management and administration of the Group's business, and overseeing the operations of the Group. Mr. Ng joined the Group in September 2002. Mr. Ng completed his secondary education in Hong Kong in 1987 and a two-year part-time evening post-secondary 3 course at Morrison Hill Technical Institute in July 1996. He was awarded with a Level 1 certificate in book-keeping from the London Chamber of Commerce and Industry in 2003. He has more than 27 years of administrative and office management experience. Prior to joining the Group, he had been employed by JEFT International Limited as an office manager from June 1989 to July 2002. He is a director of the PRC Subsidiary of the Company.

Mr. Ng did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Shing (郭志成), aged 57, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conducts. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Kwok obtained a Master of Arts in Economics with Accountancy with Honours from the University of Aberdeen in the United Kingdom in July 1986. He was admitted as an associate of The Hong Kong Institute of Certified Public Accountants in January 1991 and an associate of The Taxation Institute of Hong Kong in May 1992. He was admitted as a certified tax adviser in May 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwok has over 22 years of experience in audit assurance, cross border taxation assignments and project financing. Mr. Kwok has been an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65) (formerly known as Angels Technology Company Limited, the shares of which were transferred from GEM to the Main Board on 22 June 2009) with effect from 27 January 2006. He was the director of Lam, Kwok, Kwan & Cheng C.P.A. Limited from February 1999 to May 2010 and has been the director of LKKC C.P.A. Limited since December 2007. Prior to that, he was one of the partners at Wong Lam Leung & Kwok from August 1993 to February 1999.

Mr. Kwok was a director of the following companies that were incorporated in Hong Kong, and subsequently struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance, which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies. Mr. Kwok confirmed that the company was solvent and inactive at the time of strike off and that its dissolution had not resulted in any liability or obligation against him. The following table details the aforementioned companies that were struck off:

Name of company	Nature of business	Date of strike off notice	Date of strike off
China Investment Consultants Limited	Inactive	5 September 2003	20 February 2004
HKU Professional Diploma in Real Estate Administration Alumni Limited	Inactive	16 October 2009	26 March 2010

Save as disclosed above, Mr. Kwok was not a director in any other listed companies during the three years immediately preceding the date of this annual report.

Ms. Chan Siu Lai (陳小麗), aged 49, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conducts. She is the chairlady of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Ms. Chan obtained a bachelor degree of art major in law and management science from The University of Keele in the United Kingdom in June 1992. She has been admitted as a solicitor in Hong Kong since July 1996, and a solicitor in England and Wales since February 2002. From November 2000 to January 2016, Ms. Chan worked for INCE & Co. as an assistant solicitor. Ms. Chan is currently a claims executive lawyer at Gard (HK) Limited.

Ms. Chan did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Ma Kwok Fai, Edwin (馬國輝), aged 46, was appointed as an independent non-executive Director on 23 January 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conducts. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Mr. Ma obtained a bachelor degree of arts in clothing studies from The Hong Kong Polytechnic University in November 1998. Mr. Ma has over 15 years of

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

experience in the magazine publishing industry. He was previously employed by Li & Fung (Trading) Limited as an assistant merchandiser from September 1998 to January 1999. He has joined MRRM Publishing Limited in Hong Kong since January 2003 and his current position is the fashion director and associate publisher.

Mr. Ma did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Ms. Sze Yee Kwan (施懿君), aged 49, joined the Group in March 2004 as a senior merchandiser and was subsequently promoted to the position of chief executive officer assistant in February 2007. She is primarily responsible for assisting in overseeing and supervising the day-to-day management of the design and promotion department, and purchasing department of the Group. Ms. Sze was awarded with Level 2 certificate in book-keeping and accounts from the London Chamber of Commerce and Industry in April 1990. She also obtained a diploma in business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1991 and a certificate course in fashion and clothing manufacture from The Hong Kong Polytechnic University in August 1998. In February 2005, she obtained a Level 3 certificate of Japanese Language Proficiency Test.

Ms. Sze has over 22 years of experience in the apparel industry. Ms. Sze worked for Chungkuo Chung Fah Co. Ltd. from July 1991 to June 1994. She was employed by Fashion Resources Limited as a senior merchandiser from June 1994 to March 1997. From June 1997 to March 1998, she worked for Chamtex Limited as a senior merchandiser. From May 1998 to September 2002, Ms. Sze re-joined Fashion Resources Limited as a senior merchandiser. Prior to joining the Group, she worked for Gracedon Knitters Limited as a senior merchandiser since October 2002.

Ms. Sze has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

Ms. Wong Lai King (黃麗琼), aged 50, joined the Group in October 2001 as a senior merchandiser and was subsequently promoted to the position of division merchandising manageress in February 2013. She is primarily responsible for merchandising management of the Group. Ms. Wong completed a part-time evening training course in pattern making (outerwears) at the Clothing Industry Training Authority in Hong Kong in June 1991 and obtained a diploma in fashion management from The George Brown College of Applied Arts and Technology in Toronto, Canada in June 1994. Ms. Wong has over 17 years of working experience in the apparel industry. Ms. Wong was employed by Tillsonburg Company Limited as a merchandising assistant from July 1990 to December 1991. She then worked for Green Top Production, Inc. as a merchandiser from August 1994 to December 1995. Prior to joining the Group, Ms. Wong was employed by Prominent Apparel Limited as a merchandiser from April 1996 to August 2001.

Ms. Wong has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu Yu Lim, Winnie (鄒瑜廉), aged 44, joined the Group in September 2015 as the chief financial officer and the company secretary of the Group. She is primarily responsible for the financial reporting, treasury, financial control and company secretarial matters of the Group. Ms. Wu obtained a bachelor degree in accountancy from The University of South Australia in Australia in March 2007 and a diploma in finance from Lingnan University in November 2003. She has been a member of The Hong Kong Institute of Certified Public Accountant since November 2009 and a member of Certified Public Accountant Australia since February 2009. Ms. Wu has over 12 years of accounting and company secretarial experience. Prior to joining the Group, Ms. Wu was employed by SDM Group Holdings Limited (stock code: 8363) as a senior finance manager from April 2014 to July 2015. From January 2013 to November 2013, she served as a financial controller and the company secretary of Chinese Food and Beverage Group Limited (stock code: 8272). In addition, Ms. Wu was employed as a finance manager in PME Group Limited (stock code: 0379) from June 2009 to December 2012 and served as an accounting manager of New Capital International Investment Limited (stock code: 1062) from May 2006 to June 2009.

Ms. Wu has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The 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 standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company.

During the reporting period, the Group has complied with all the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules save as the deviation from the code provision A.2.1 of the CG Code. Details of which are set out in the section headed “Chairman and Chief Executive Officer” in this corporate governance report.

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 been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the year ended 31 March 2019.

BOARD OF DIRECTORS

Composition of the Board

Currently, the Board comprises:

Executive Directors

Mr. Chan Wing Kai (*Chairman and chief executive officer*)

(appointed as a Director on 19 November 2015 and designated as an executive Director on 15 June 2016)

Mr. Ng Ming Ho

(appointed on 15 June 2016)

Independent non-executive Directors

Ms. Chan Siu Lai

(appointed on 23 January 2017)

Mr. Kwok Chi Shing

(appointed on 23 January 2017)

Mr. Ma Kwok Fai, Edwin

(appointed on 23 January 2017)

The biographical information of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 18 to 21 of this annual report.

There was no financial, business, family or other material relationship among the Directors save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Each independent non-executive Director has given a written annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

Regular Board meetings will be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance records of each Director at the Board meetings held for the year ended 31 March 2019 are set out in the table below:

Name of Directors	Board meetings attended/eligible to attend
Mr. Chan Wing Kai	5/5
Mr. Ng Ming Ho	5/5
Ms. Chan Siu Lai	5/5
Mr. Kwok Chi Shing	5/5
Mr. Ma Kwok Fai, Edwin	5/5

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. All the Directors shall make decisions objectively in the interests of the Company. The Board focuses on formulating the Group's overall strategies; authorising the development plans and budgets; monitoring financial and operating performance; reviewing the effectiveness of the Group's internal control system; and setting the Group's values and standards. The day-to-day management, administration and operations of the Group are delegated to the executive Directors and the senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

During the reporting period, the Company had a minimum of three independent non-executive Directors and at all times met the requirements of the GEM Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members and at least one of the independent non-executive Directors had appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive Directors are invited to serve on the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors of the Group in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional developments of the Directors and senior management of the Company, and (ii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and developing, reviewing and monitoring the code of conduct of the Directors, etc.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board documents and related materials are deliverable to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Draft minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The company secretary of the Group is responsible for keeping the minutes of all meetings of the Board and the Company's committees. Every Board member has full access to the advice and services of the company secretary of the Group with a view to ensure that all required procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board documents and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each AGM, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement at the AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence and must provide an annual confirmation of his/her independence to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contributions to the Board remains informed and relevant. Every newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure an appropriate understanding of the business and operations of the Company and his/her full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Directors are encouraged to participate in appropriate continuous professional trainings at the Company's expenses to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be provided to Directors where appropriate. A record of the training received by the respective Directors should be maintained and updated by the company secretary of the Group. All the Directors also understand the importance of continuous professional developments and are committed to participating any suitable training to develop and refresh their knowledge and skills.

During the reporting period, all the Directors namely Mr. Chan Wing Kai, Mr. Ng Ming Ho, Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin had participated in appropriate continuous professional development training sessions and relevant training records have been maintained by the Company for accurate and comprehensive record keeping.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee on 23 January 2017, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee of the Company 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 primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company's financial information; (ii) overseeing the Group's financial reporting system, risk management and internal control systems; (iii) reviewing and monitoring the effectiveness of the scope of audit; and (iv) making recommendations to the Board on the appointment of external auditors.

CORPORATE GOVERNANCE REPORT

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this annual report, including the audited consolidated results of the Group for the year ended 31 March 2019.

According to the current terms of reference, the Audit Committee shall meet at least four times for a financial year. Five meetings were held by the Audit Committee for the year ended 31 March 2019 to (i) review and discuss the audited annual results, the unaudited interim and two quarterly financial results of the Group; (ii) discuss and consider the issues arising from the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems; (iii) review and recommend the appointment of external auditors and relevant scope of works; (iv) review and consider continuing connected transactions; (v) review and consider the enforcement of the Company's controlling shareholders' undertaking in relation to the deed of non-competition executed in favour of the Company; and (vi) review and recommend revised terms of reference of the Audit Committee. The attendance records of each member of the Audit Committee is set out as follows:

Name of members of the Audit Committee	Meeting(s) attended/eligible to attend
Mr. Kwok Chi Shing	5/5
Ms. Chan Siu Lai	5/5
Mr. Ma Kwok Fai, Edwin	5/5

REMUNERATION COMMITTEE

The Remuneration Committee currently consist of three members, namely Ms. Chan Siu Lai (the Chairlady of the Remuneration Committee), Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors.

The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) review performance-based remuneration; and (iii) ensure none of the Directors or any of his/her associates (as defined in the GEM Listing Rules) determine his/her own remuneration.

One meeting was held by the Remuneration Committee for the year ended 31 March 2019. The attendance record of each member of the Remuneration Committee is set out as follows:

Name of members of the Remuneration Committee	Meeting attended/eligible to attend
Ms. Chan Siu Lai	1/1
Mr. Kwok Chi Shing	1/1
Mr. Ma Kwok Fai, Edwin	1/1

Details of emoluments of the Directors and senior management of the Group for the year ended 31 March 2019 are set out in note 12 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Nomination Committee consists of three members, namely Mr. Ma Kwok Fai, Edwin (the Chairman of the Nomination Committee), Ms. Chan Siu Lai and Mr. Kwok Chi Shing, all being independent non-executive Directors.

The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity of the Board at least annually; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has adopted a policy of diversity for the Board. Accordingly, selections of Board members should base on a range of diversified criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of services, and time of each Board member to be devoted.

Two meetings were held by the Nomination Committee for the year ended 31 March 2019. The attendance records of each member of the Nomination Committee is set out as follows:

Name of members of the Nomination Committee	Meeting(s) attended/eligible to attend
Mr. Ma Kwok Fai, Edwin	2/2
Ms. Chan Siu Lai	2/2
Mr. Kwok Chi Shing	2/2

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements of the Group. The Directors aim to present a balanced and understandable assessment of the Group's financial position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubts upon the Group's ability to continue as a going concern. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders of the Company. A statement by the external auditor, Zhonghui Anda CPA Limited ("Zhonghui"), about their reporting responsibility is set out in the independent auditor's report from page 53 to 55 of this annual report.

CORPORATE GOVERNANCE REPORT

Internal control and risk management

The Board is responsible for overseeing and reviewing the Group's internal control and risk management systems as well as monitoring its effectiveness on an ongoing basis. The Directors recognise the need for risk management and internal control in the Group's strategic and operational planning, day-to-day management and decision making process and are committed to manage and minimise the risks that may impact on the continued efficiency and effectiveness of the Group's operations or prevent the Group from achieving its business objectives. The Board with the assistance of the Audit Committee annually reviews the effectiveness of the internal control and risk management systems.

The Group currently has no internal audit function. The Directors reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs.

During the year ended 31 March 2019, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") to undertake an annual review and assessment of the Group's overall corporate governance practices, and assessment of both entity level and process level controls of the Group, which involves system documentations, testing, a series of workshops and interviews, and assessment of the effectiveness of the internal control and risk management systems of the Group.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Subsequently, improvements in internal control and risk management measures, as recommended by the Internal Control Adviser, to enhance the internal control and risk management systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Internal Control Adviser, as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are effective and adequate.

ENFORCEMENT OF NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have reviewed the enforcement of the controlling shareholders' undertakings in relation to the deed of non-competition executed in favour of the Company. Details of which are set out in the Prospectus. The Board confirmed that there are no other matters in relation to the aforesaid undertakings which should be brought to the attention of the Shareholders for the year ended 31 March 2019.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the year ended 31 March 2019, the fees paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

Services rendered	Fees paid/payable HK\$'000
Statutory audit services	500
Non-audit services	12
Total	512

COMPANY SECRETARY

Ms. Wu Yu Lim, Winnie, the chief financial officer of the Group, was appointed as the company secretary of the Group (the "**Company Secretary**") on 15 June 2016. The biographical details of Ms. Wu are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. For the year ended 31 March 2019, the Company Secretary undertook no less than 15 hours of professional training to update her skills and knowledge.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Board Diversity Policy aimed to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below:

Summary of the Board Diversity Policy

In determining the composition of the Board, the Company will consider from a number of aspects in terms of, among other things, gender, age, cultural and educational background, or professional experience. All Board appointments will be based on meritocracy, candidates will be considered against objective criteria and having due regard for the benefits of diversity on the Board.

Measurable objectives

Selection of candidates as Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, expertise or professional experience. The ultimate decision will be based on merits and contributions which the selected candidates will bring to the Board.

Monitoring and reporting

The Nomination Committee will disclose annually, in the corporate governance report, on the Board's composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, expertise, or professional experience), and monitor the implementation of this policy.

CORPORATE GOVERNANCE REPORT

Review of the Board Diversity Policy

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revision that may be required and recommend any such revision(s) to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the selection criteria and the nomination procedures made towards achieving those objectives are disclosed below:

Summary of the Nomination Policy

The Nomination Policy provides the key selection criteria and general principles of the Nomination Committee in making any recommendation on the appointment and re-appointment of the Directors. It aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Group's business.

Selection criteria

When making recommendation(s) regarding the appointment of any proposed candidate(s) for directorships to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a number of criteria including but not limited to the followings:

- (a) Reputation for integrity;
- (b) Accomplishment, experience and reputation in the apparel industry and other relevant sectors;
- (c) Commitment in respect of sufficient time, interest and attention to the Group's business;
- (d) Potential contributions he/she will bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (e) The ability to assist and support management and make significant contributions to the Group's success;
- (f) Compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and
- (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations. The progress made towards achieving the objectives set out in the Nomination Policy will be disclosed periodically in the corporate governance report of the Company.

Nomination procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) The secretary of the Nomination Committee shall convene a meeting, and invite nomination of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration;
- (b) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval;
- (c) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting;
- (d) The section headed "Procedures for Shareholders to Convene Extraordinary General Meeting" in this corporate governance report sets forth the procedures for Shareholders' nomination of any proposed candidate for election as a Director; and
- (e) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, and the ultimate responsibility for selection and appointment of Directors is at the discretion of the Board.

Review of Nomination Policy

The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Nomination Committee and approved by the Board to ensure that it remains relevant to the Group's needs and reflects both current regulatory requirements and good corporate governance practices.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. The Dividend Policy aims to set out the general principles and guidelines that the Company intends to apply in relation to the recommendation, declaration, payment or distribution of its net profits as dividends to the Shareholders. The Board shall take into account, inter alia, the followings:

- (a) The Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;
- (b) The Company does not have any pre-determined dividend payout ratio;

CORPORATE GOVERNANCE REPORT

- (c) The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below;
- (d) The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:
 - the financial results of the Group;
 - the cash flow situation and possible effects on liquidity and financial positions of the Group;
 - the business conditions and strategies;
 - the future operations and earnings;
 - the capital requirements and future expansion needs;
 - the interests of Shareholders;
 - any restrictions on payment of dividends; and
 - any other factors that the Board may consider relevant.
- (e) Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as follows:
 - an interim dividend;
 - a final dividend;
 - a special dividend; and
 - any distribution of net profits that the Board may deem appropriate.
- (f) Any final dividend for a financial year will be subject to Shareholders' approval provided that no dividend shall be declared in excess of the amount recommended by the Board;
- (g) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board may deem appropriate;
- (h) Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company in accordance with the Articles.

The Company will review the Dividend Policy as appropriate from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions can be proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting. An AGM shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting ("EGM").

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an EGM are subject to the Articles (as amended from time to time), and the applicable legislations and regulations, in particular the GEM Listing Rules (as amended from time to time):

- (a) Any one or more member(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company, shall at all times have the right, by a written requisition (the "**Requisition**") sent to the Company's principal place of business in Hong Kong as set out in the manner below, for the attention of the Board and/or the Company Secretary to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;
- (b) The Eligible Shareholder(s) who wish(es) to convene an EGM must deposit the Requisition with which stating the purposes of the meeting, signed by the Eligible Shareholder(s) concerned to the Board or the Company Secretary at the Company's principal place of business at Flat A, 17/F, Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong;
- (c) The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/its shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by Eligible Shareholder(s) concerned in accordance with the statutory requirements to all registered shareholders;

CORPORATE GOVERNANCE REPORT

- (d) The Requisition will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the Requisition has been verified but not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested; and
- (e) If within 21 days from the date of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

The notice period to be given to all the registered members for consideration of the proposal raised by the Eligible Shareholder(s) concerned should be at least 14 clear day's notice in writing and not less than 10 clear business days.

RIGHT OF RAISING ENQUIRIES

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong (detail of which are set out in the section headed "Corporate Information" of this annual report).

All any other enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to ir@speedapparel.com.hk for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their enquiries together with their detailed contact information for the prompt response from the Company if it deems appropriate.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

There are no provisions allowing Shareholders to move new resolutions at the general meeting under the Companies Law (Law 3 of 1961, as consolidated and revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of the Requisition convening an EGM following the procedures set out above.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders and investors. These include the AGM, the annual, interim and quarterly reports, notices, announcements, circulars and the Company's website at www.speedapparel.com.hk.

There had been no significant change in the Company's constitutional documents for the year ended 31 March 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND SCOPE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (THE "ESG") REPORT

The Board is pleased to present its annual ESG report of the Group for the year ended 31 March 2019 prepared in accordance with Appendix 20 Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the GEM Listing Rules and has complied with the "comply or explain" provisions. The purpose of this report is to disclose the Group's management policies, strategies and performance regarding its sustainable development to all stakeholders.

Consistent with last year, the Group is committed to becoming an enterprise with high level of social responsibility and understands the importance of sustainable development of its business and community. The Group pursues rewarding Shareholders with better value, provision of high quality products and services to customers and provision of adequate and competitive benefits for employees.

REPORTING SCOPE AND PERIOD

This report covers all subsidiaries of the Group with core business principally selling knitwear products to its customers and headquartered in Hong Kong. The Group will continue in assessing the impacts of its business on the major environmental, social and governance aspects and to include in the ESG report.

Unless otherwise stated, this report covers the period from 1 April 2018 to 31 March 2019 (the "**Reporting Period**"). The ESG report of the Group has been presented into two subject areas, namely environmental and social, and each subject area will have various aspects to disclose the relevant policies, key performance indicators ("**KPIs**") and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide. Certain KPIs which is considered as material by the Group during the Reporting Period are disclosed in the report. The Group will continue to optimise and improve the disclosure of KPIs.

ENVIRONMENTAL PROTECTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products to its customers. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. All of the knitwear products were produced by the third-party manufacturers engaged by the Group. As such, the relevant environmental laws and regulations are not applicable to the Group. Notwithstanding the aforementioned, the Group required its suppliers to comply with the relevant laws and regulations relating to not only environmental but also labor, social and safety. The Group also implemented environmental protection policies in order to reduce the possible pollution resulted from its business activities on the environment. These policies including but not limited to the policies on reducing CO₂ emission and water consumption, waste management and other eco-friendly measurements in our business operations. The Group implemented these policies through (i) reminding staff to switch the light on only when it is needed and turn off when staff are out of office; (ii) reminding staff to set the temperature of air-conditioner to an energy-efficient level; (iii) emphasis on the use of recycle paper when printing internal documents and double-sided printing for external documents; and (iv) reminding staff and relevant person-in-charge to process daily waste properly and to treasure water resources and avoid wasting which resulted a limited amount of water consumption during the Reporting Period. The Group continues to review the

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

environmental impact of its operations and assess whether its environmental protection policies are in compliance in all material respects with applicable environmental laws and regulations in Hong Kong and the PRC. During the Reporting Period, the Group's business operations are wholly office operations, and thus, the key environmental impacts from the Group's operations mainly related to (i) energy; (ii) paper consumption; and (iii) local and overseas business travels. As such, the environmental impact from the Group's operation is minimal compared to that of many other industries.

During the Reporting Period, major air pollutants emission from the vehicle are as follows:

Air pollutants emissions

Type of air pollutants	2019 Air pollutants emission (kg)	2018 Air pollutants emission (kg)
Sulphur dioxide	0.1	0.1
Nitrogen oxides	4.4	4.1
Particulate matter	0.3	0.3
Total	4.8	4.5

During the Reporting Period, the greenhouse gas ("GHG") emission from the operations of the Group is set out below:

GHG emissions

Type of GHG emissions	2019 Equivalent CO ₂ emission (kg)	2018 Equivalent CO ₂ emission (kg)
Scope 1 Direct emissions	9,421.5	8,723.8
Scope 2 Indirect emissions	69,058.6	78,423.1
Scope 3 Other indirect emissions	26,291.4	38,681.5
Total	104,771.5	125,828.4
Intensity	169.5 kg/m²	203.6 kg/m ²

Note:

1. The calculation of the greenhouse gas is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.
2. (i) Scope 1 refers to direct emission from the vehicles owned by the Group;
(ii) Scope 2 refers to indirect emissions from the generation of purchased electricity consumed by the Group; and
(iii) Scope 3 refers to other indirect emissions which is an optional disclosure in relation to the employees' business travels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, energy consumption by the Group is set out below:

Energy consumption

Type of energy	2019 Energy consumed (kWh)	2018 Energy consumed (kWh)
Unleaded petrol	30,927.1	28,636.9
Purchased electricity	135,409.0	145,228.0
Total	166,336.1	173,864.9
Energy intensity	269.1 kWh/m²	281.3 kWh/m ²

During the Reporting Period, the Group generated/consumed no significant hazardous waste, non-hazardous waste, water and packaging materials due to its business nature. The total amount of paper disposed for recycling purpose was approximately 1,600.0 kg (2018: approximately 2,100.0 kg).

CORPORATE SOCIAL RESPONSIBILITIES

Working environment

As an enterprise with social responsibility, the Group shall not only be accountable to its customers, but also to its employees. When seeking for accomplishment of economic targets, the Group also assumes responsibility to the society, which in turn enables it to achieve sustainable development. The Group values its employees as they are key to its success. It commits to provide a working place without discrimination and with equal opportunities for all staff.

Staff annual leaves and benefit packages of the Group were enforced with reference to the local labour laws. The Group rewards employees with fair remuneration based on an individual's work performance in order to inspire their working enthusiasm. Further, the Group adopts an incentive system under which the management's remuneration is related to the Group's operating results, which provides reasonable rewards to the managements of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2019, the Group had a total of 61 permanent full time employees (31 March 2018: 75). Table below sets out the breakdown of the total number of employees by gender and age group, respectively, for each of the two years ended 31 March 2019:

	Year ended 31 March			
	2019 Number of staff	%	2018 Number of staff	%
By gender				
Male	20	32.8	24	32.0
Female	41	67.2	51	68.0
Total	61	100.0	75	100.0
By age group				
30 or below	13	21.3	15	20.0
31-40	25	41.0	31	41.3
41-50	19	31.1	23	30.7
51 or above	4	6.6	6	8.0
Total	61	100.0	75	100.0

To the best knowledge of the Board, there is no material violation of relevant standards, rules and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, fair opportunity, diversity and other remuneration package and benefits during the Reporting Period.

Health and safety

To indicate its care for employee's health and safety, the Group established a safe and healthy working environment for all employees by establishing monitoring procedures for safety management.

During the Reporting Period, the Group has not recorded any safety accident that led to death or major injuries, with safety maintained at a stable level. To the best knowledge of the Board, there is no material violation of relevant standards, rules and regulations regarding provision of safe working environment and protecting employees from occupational damage during the Reporting Period.

Labour standard

The Group strictly complied with relevant laws and regulations in respect of minimum working age. The Group properly handled child labour issues in accordance with requirements of social responsibility management and regulations to prohibit all departments to employ child labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group established management policy for forced labour and captive labour to prohibit any forced labour and regulate that employees of the Group must be employed voluntarily, undertaking that (i) no forced acts shall be allowed; (ii) no deceptive means shall be applied in attracting workers to work in the Group; and (iii) no threats, punishments or to gain any benefit from employees or force employees to work.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

Development and training

The Group pays much attention to occupational developments of its employees. As such, it has made a series of systems to provide system guarantee for employee's occupational developments and corporate growth. The employees may pursue, depending on their working capabilities, personal developments by means of promotion from a junior to a senior position.

The Group provides on-the-job trainings for the new employees serving the junior positions. In particular, employees with adequate experience are designated to guide the new employees to process their works, aiming to improve new employees' expertise and skills as required for works and to assist them to adapt to the operations and culture of the Group as soon as possible. During the Reporting Period, certain employees were provided with an online new supply chain systems training on top of the on-the-job trainings. The Group also organised social activities to build team work spirit.

Table below is the breakdown of the percentage of employees trained by gender for the two years ended 31 March 2019:

Employee trained by gender	Year ended 31 March	
	2019	2018
	%	%
Male	38.5	32.0
Female	61.5	68.0

The average training hours for employees by gender for the two years ended 31 March 2019 are as follows:

By gender	Year ended 31 March	
	2019	2018
	Hours per employee	Hours per employee
Male	0.6	2.2
Female	1.9	3.1

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply chain management

To focus the Group's resources on the provision of apparel supply chain management services, the Group does not own or operate any manufacturing operations. Instead, the Group outsourced the labour intensive manufacturing processes to third-party manufacturers with manufacturing operations in the PRC and/or Thailand. The Group strives to improve its supply chain management. The Group has established procedures and a complete monitoring system for selection of third-party manufacturers including but not limited to the ability and efficiency of third-party manufacturers to produce apparel products for its customers. The operation model of the Group is to manage the third-party manufacturers of different scales, the Group does not enter into any long term contracts with third-party manufacturers and the Group engages them on a case-by-case basis depending on the needs and requirements of customers. The Group sets standards and goals and provides data analysis to measure the performance of its supply chains. In addition, the Group closely cooperates with yarn suppliers, third-party manufacturers and customers to ensure providing the latest information on customer demands at every stage of the supply chain, and pays attention to the signal of market demands and makes corresponding improvements.

The following is an analysis of the Group's number of suppliers by geographical location for the two years ended 31 March 2019:

Number of suppliers by geographical location	2019	2018
	%	%
Hong Kong	70.2	58.5
The PRC	21.3	35.8
Others	8.5	5.7
Total	100.0	100.0

The Group set up strict guidelines to prevent any employee, outsourcing contractor or supplier from breaching the anti-corruption guideline requirements by implementing appropriate disciplinary punishment(s). The Group also stated in its anti-corruption policy that it will not work with suppliers who had previously violated the anti-corruption requirements.

The Group complied with the child labour and forced labour law. Suppliers were also required to comply the same. The Group also requires suppliers to comply with all relevant laws and regulations to ensure health and safety of employees in all operating conditions and environment.

Product liability

As an apparel supply chain management services provider, the Group's services encompass the total supply chain from the selection of raw materials until the final delivery of finished products to the customers at their designated port of shipment. The Group places great emphasis on the quality of its knitwear products and the Directors believe that the commitment to the high standard for quality control of its knitwear products is one of the key factors contributing to the Group's success. Stringent quality control procedures such as inspection of the finished products by a third-party inspection centre prior to shipping to the Group's customers and monitoring the production process by keeping a production schedule have been established throughout the total supply chain so as to ensure the quality of the knitwear products is supplied in consistently reliable and high standard.

To ensure that the quality of the knitwear products is in conformity with the customers' specifications, the Group will perform random checks on semi-finished products produced by the third-party manufacturers at various stages of the production process. To ensure that the colour conforms to the customers' specifications and standards, the Group will visually inspect the colour on the semi-finished and finished products with colour check light box. The merchandising quality control staff will check whether the semi-finished products are free from major defects and to ensure that the knitting patterns conform with the customers' designs and specifications. Before packaging for delivery, all finished products will be checked by a third-party inspection centre. Any products that fail to meet the standards will be notified to the third-party manufacturers for rectification.

As an apparel supply chain management services provider, the Group respects intellectual property rights. The Group is committed to protecting trademarks of customers and restricts any person from using the trademarks for any unauthorised purposes.

During the Reporting Period, the Group has complied with the relevant requirements on product liabilities. The Group has not recovered any products for safety and health reasons or found any significant complaint on products and services.

Anti-corruption

The Group operates under integrity and moral principles. The Group established relevant standards and complied with laws and regulations, prohibiting employees from receiving any benefits from the suppliers, customers or any party having business or commercial relationship with companies under the Group or offering benefits to the same. The Group requires (i) all employee shall comply with its code of business conduct and ethics; (ii) employees are prohibited to, through taking advantage of their positions, offer any reward or other benefits to or receive the same from customers, suppliers or any party having business with the Group; and (iii) all suppliers or individuals dealing with the Group shall not offer any commercial bribe or transfer other benefits by any means to employees or management of the Group.

The Group requires every employee to comply with the code of employees and delegates appropriate authority to employees in every job position to avoid abuse of his or her duties for profiteering or suspected conflicts of interest. As the Group's businesses involve the customers' personal data, the Group has established confidentiality codes and relevant guidelines for the employees to reduce the risk of information leakage.

The Group prohibits employees from using the company seal/chop of each company of the Group without prior approval from the management of the Group, to sign beyond one's authority, and to approve the signing of any external contract or terminating it and to vary the performance of contracts. The reporting system of the Group permits employees to report any suspected misconduct or fraud to relevant department head through effective channels.

During the Reporting Period, there was no litigation commenced against the Group or its employees being charged for any corruption offences. The operations of the Group has complied with policies and relevant laws and regulations regarding anti-bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community investment

In recognising that bringing resources to the community while at the same time contributing to the economy and environment would benefit the society in the long run, the Group has devoted time and effort to return to the society as it has always encouraged its employees to take part into supporting environmental protection initiatives such as energy saving initiatives, and participating volunteer work for the community. In the future, the Group will (i) seek opportunities to work with charitable organisations to get involved in various community programmes and to contribute to the society; (ii) promote the health of its employees and customers by organising and taking part in sports and fitness activities; and (iii) make donations to the charitable organisations. During the Reporting Period, the Group made charitable and other donations amounting to HK\$30,000 (2018: HK\$650,000).

The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group for the year ended 31 March 2019.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this annual report.

The Directors recommended the payment of a final dividend of 1.6 HK cents per share for the year ended 31 March 2019 (2018: 1.5 HK cents) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 21 August 2019. The proposed final dividend, subject to the approval by the Shareholders at the AGM to be held on Tuesday, 13 August 2019, will be paid on or about Wednesday, 11 September 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A discussion and analysis of the Group's performance for the year ended 31 March 2019, the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Further, a fair review of, and an indication of likely future prospects in the Group's business are set out in the sections headed "Chairman's Statement" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations, businesses and prospects would be affected by a number of principal risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. The risk management policies and practices of the Group are shown in note 5 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

Further, there are certain other risks involved in the Group's operations which are beyond its control. In particular, the Group relies on several major customers and the Group does not enter into any long term contracts with them. The Group also faces business risks such as (i) any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business; (ii) there are time lags between making payments to the Group's suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group's cash flow and financial position; (iii) the Group has relatively thin net profit margin and is highly sensitive to any unfavourable change in the cost of sales, selling price and sales volume; (iv) any further decrease in retail sales value and sales volume of apparel retail markets in Japan and the USA may adversely affect the Group's operating results and performance; and (v) the Group's performance and profitability may be affected by the fluctuation of the exchange rate of Japanese Yen.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 96 in this annual report.

SHARE CAPITAL

There has been no change in the capital structure of the Company since the Listing. The share capital of the Company only comprises ordinary shares.

As at 31 March 2019, the Company's issued share capital amounted to HK\$5.0 million divided by 500,000,000 Shares of HK\$0.01 each.

Details of the movements in the Company's share capital for the year ended 31 March 2019 are set out in note 23 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer its new shares on a pro-rata basis to existing Shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2019.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 24 to the consolidated financial statements of the Group and in the consolidated statement of changes in equity on page 59 in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$59.8 million (2018: approximately HK\$57.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the Group's largest and five largest customers' aggregate amount represented approximately 31.1% (2018: approximately 50.4%) and 90.2% (2018: approximately 89.6%) of the Group's total revenue, respectively. The Group's largest and five largest suppliers' aggregate amount represented approximately 29.0% (2018: approximately 39.3%) and 80.2% (2018: approximately 76.5%) of the Group's cost of sales, respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the GEM Listing Rules) nor any Shareholders who or which own more than 5.0% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers and/or suppliers during the year ended 31 March 2019.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Chan Wing Kai <i>(Chairman and chief executive officer)</i>	<i>(appointed as a Director on 19 November 2015 and designated as an executive Director on 15 June 2016)</i>
Mr. Ng Ming Ho	<i>(appointed on 15 June 2016)</i>

Independent non-executive Directors

Ms. Chan Siu Lai	<i>(appointed on 23 January 2017)</i>
Mr. Kwok Chi Shing	<i>(appointed on 23 January 2017)</i>
Mr. Ma Kwok Fai, Edwin	<i>(appointed on 23 January 2017)</i>

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to Article 84(1) of the Articles, notwithstanding any other provisions in the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he or she has agreed to act as an executive Director for an initial term of three years with effect from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect from the Listing Date. Save for the Directors' fees, none of the independent non-executive Directors is expected to receive any other emolument for holding his or her office as a non-executive Director or an independent non-executive Director.

Save as disclosed above, none of the Directors has proposed or entered into any service agreement or appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior management of the Group.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 12 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies in the industry, time commitment and performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies in the industry, respective responsibilities of the Directors and performance of the Group.

The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the share option scheme.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2019, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest/ holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company <small>(Note 1)</small>
Mr. Chan	Interest of a controlled corporation	375,000,000 (L) <small>(Notes 2,3)</small>	75%

Notes:

1. As at 31 March 2019, the Company's issued ordinary share capital was HK\$5.0 million divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development Co. Ltd ("Speed Development"), a company incorporated in the British Virgin Islands on 12 November 2015 which acts as an investment holding company, is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.
3. The letter "L" denotes the person's long position in the Shares.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2019, so far as it is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Group:

Name of substantial Shareholders	Nature of interest/ holding capacity	Number of ordinary shares held	Percentage of interests in the issued share capital of the Company <small>(Note 1)</small>
Speed Development	Beneficial owner	375,000,000 (L) <small>(Notes 2, 3)</small>	75%
Ms. Cheung Hung ("Ms. Cheung")	Spouse interest	375,000,000 (L) <small>(Notes 3, 4)</small>	75%

Notes:

1. As at 31 March 2019, the Company's issued ordinary share capital was HK\$5.0 million divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development is wholly and beneficially owned by Mr. Chan who is the chairman and an executive Director of the Company. Therefore, Mr. Chan is deemed to be interested in the 375,000,000 Shares held by Speed Development by virtue of his 100% shareholding interest in Speed Development.
3. The letter "L" denotes the person's long position in the Shares.
4. Ms. Cheung is the spouse of Mr. Chan. She is deemed to be interested in the Shares in which Mr. Chan is interested under Part XV of the SFO.

SHARE OPTION SCHEME

On 8 May 2017, the Company conditionally adopted a share option scheme (the “**Scheme**”) pursuant to a resolution passed by its Shareholders on 8 May 2017, for the primary purpose of providing incentives or rewards to eligible employees and other selected participants as specified under the Scheme. The adoption of the Scheme became unconditional upon the Listing Date.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of shares in issue on the Listing Date, without prior approval from the Shareholders. The Company may, subject to the issue of a circular, the Shareholders’ approval in general meeting and/or such other requirements prescribed under the GEM Listing Rules, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the Shareholders’ approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the Company’s issued share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 21 days of the date of the offer of grant of the option. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Directors but in any event not exceeding 10 years. The exercise price is determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of the offer of grant of the option; and (iii) the nominal value of a share. No option has been granted since the adoption of the Scheme. The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 28(a) to the consolidated financial statements of this annual report, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 March 2019, none of the Directors or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKINGS

The Company confirms that the non-competition undertakings of Mr. Chan and Speed Development executed on 8 May 2017 in favour of the Company (for itself and as trustee for its subsidiaries), details of which were set out in the section headed "Relationship with the Controlling Shareholders — Non-competition Undertakings" in the Prospectus, has been fully complied and enforced for the year ended 31 March 2019.

The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Messis Capital Limited ("Mesis") 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.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are set out in note 28(a) to the consolidated financial statements in this annual report. Save as the rental expense paid to the related company, which constitute a continuing connected transaction and is exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, none of these related party transactions constituted a connected transaction as defined under the GEM Listing Rules during the year ended 31 March 2019.

Details of the connected transactions are summarised in the paragraph headed "Continuing Connected Transactions" below.

CONTINUING CONNECTED TRANSACTIONS

Tenancy agreement between the Group and Firenze Apparel Limited (“Firenze”)

On 7 March 2016, Speed Apparel (HK) Limited (“**Speed Apparel HK**”), a subsidiary of the Company, entered into a tenancy agreement (the “**Tenancy Agreement**”) with Firenze for the leasing of the Property located at Flat A, 17/F, Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong (the “**Property**”) to the Group for a monthly rent of HK\$100,000 from 1 February 2016 to 31 January 2019 (both days inclusive). The Property was used as a head office and the principal place of business of the Group in Hong Kong. Pursuant to the Tenancy Agreement, Firenze agreed to pay management fee and government rates and rent. The Tenancy Agreement was renewed the same on 4 January 2019 (the “**Renewal Tenancy Agreement**”) for a term of 3 years commencing from 1 February 2019 to 31 January 2022. The monthly rent under the Tenancy Agreement and Renewal Tenancy Agreement was determined on an arm’s length basis between the parties thereto by reference to the prevailing market rates. The aggregate of rental paid by the Group under the Tenancy Agreement and Renewal Tenancy Agreement was HK\$1,200,000 for the year ended 31 March 2019.

Since Firenze is owned as to 100% by Mr. Chan, being an executive Director, the chief executive officer of the Company and a substantial Shareholder, Firenze is considered as a connected person of the Company under the GEM Listing Rules. As such, the leasing of the Property by the Company from Firenze under the Tenancy Agreement and Renewal Tenancy Agreement was constituted a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since the aggregate annual consideration is less than HK\$3,000,000, respectively, the transactions under the Tenancy Agreement and Renewal Tenancy Agreement fall within the de minimis threshold and constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the Tenancy Agreement, the Renewal Tenancy Agreement, and the transactions contemplated thereunder will be exempted from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The continuing connected transactions mentioned above had been reviewed by the independent non-executive Directors as they consider that the Tenancy Agreement and Renewal Tenancy Agreement were entered into in the ordinary and usual course of business and on normal commercial terms, and the terms of and transactions contemplated under the Tenancy Agreement, the Renewal Tenancy Agreement and the annual caps set out above are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year ended 31 March 2019 which should be disclosed pursuant to the requirements under Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Company were entered into or existed during the year ended 31 March 2019.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the GEM Listing Rules for the year ended 31 March 2019.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this annual report.

AUDITOR

The Group's consolidated financial statements for the year ended 31 March 2019 have been audited by Zhonghui Anda CPA Limited.

Zhonghui will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board

Chan Wing Kai

Chairman and executive Director

Hong Kong, 10 June 2019



TO THE SHAREHOLDERS OF SPEED APPAREL HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Speed Apparel Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 56 to 95, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Trade and bills receivables and prepayments, deposits and other receivables

Refer to Note 18 and 19 to the consolidated financial statements

The Group tested the amount of trade and bills receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and bills receivables and prepayments, deposits and other receivables of approximately HK\$23,268,000 and HK\$20,339,000 respectively as at 31 March 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers and suppliers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers and suppliers;
- Checking subsequent settlements from the customers and usage of prepayments; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bills receivables and prepayments, deposits and other receivables are supported by the available evidence.

OTHER INFORMATION

The directors (the "**Directors**") of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 10 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	6 & 8	433,004	390,423
Cost of sales		(349,535)	(325,955)
Gross profit		83,469	64,468
Interest income		486	258
Other income	7	655	1,941
Selling and distribution expenses		(27,789)	(23,497)
Administrative expenses		(23,987)	(23,130)
Profit from operations		32,834	20,040
Listing expenses		–	(2,580)
Finance costs	9	(111)	(151)
Profit before tax		32,723	17,309
Income tax expense	10	(5,489)	(3,225)
Profit for the year	11	27,234	14,084
Other comprehensive (expense) income:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(112)	149
Other comprehensive (expense) income for the year		(112)	149
Total comprehensive income for the year attributable to owners of the Company		27,122	14,233
Earnings per share	14	5.45	2.94
Basic and diluted (HK cents)			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	15	3,537	1,680
Deferred tax asset	16	–	7
		3,537	1,687
Current assets			
Inventories	17	4,443	5,767
Trade and bills receivables	18	23,268	9,219
Prepayments, deposits and other receivables	19	20,339	4,490
Pledged bank deposit	20	14,925	15,864
Bank and cash balances	20	77,688	83,350
		140,663	118,690
Current liabilities			
Trade and other payables	21	29,014	26,884
Tax payable		2,835	818
Finance lease payable	22	128	122
		31,977	27,824
Net current assets		108,686	90,866
Total assets less current liabilities		112,223	92,553
Non-current liabilities			
Finance lease payable	22	134	262
Deferred tax liability	16	176	–
		310	262
NET ASSETS		111,913	92,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Capital and reserves			
Share capital	23	5,000	5,000
Reserves	24	106,913	87,291
TOTAL EQUITY		111,913	92,291

The consolidated financial statements on pages 56 to 95 were approved and authorised for issue by the board of Directors on 10 June 2019 and are signed on its behalf by:

Chan Wing Kai
Director

Ng Ming Ho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2017	–	–	(19,229)	4,000	(63)	40,694	25,402
Total comprehensive income for the year	–	–	–	–	149	14,084	14,233
Issuance of shares	1,250	61,250	–	–	–	–	62,500
Transaction costs attributable to issuance of shares	–	(9,844)	–	–	–	–	(9,844)
Issuance of shares by capitalisation of share premium account	3,750	(3,750)	–	–	–	–	–
 At 31 March 2018	 5,000	 47,656	 (19,229)	 4,000	 86	 54,778	 92,291
 At 1 April 2018	 5,000	 47,656	 (19,229)	 4,000	 86	 54,778	 92,291
Total comprehensive income for the year	–	–	–	–	(112)	27,234	27,122
Dividend paid	–	–	–	–	–	(7,500)	(7,500)
 At 31 March 2019	 5,000	 47,656	 (19,229)	 4,000	 (26)	 74,512	 111,913

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	32,723	17,309
Adjustments for:		
Depreciation	1,084	998
Finance costs	111	151
Interest income	(486)	(258)
Operating profit before working capital changes	33,432	18,200
Decrease in inventories	811	744
Increase in trade and bills receivables	(14,093)	(1,133)
(Increase) decrease in prepayments, deposits and other receivables	(15,735)	2,842
Increase in trade and other payables	2,826	9,051
Cash generated from operations	7,241	29,704
Income tax paid	(3,289)	(6,156)
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,952	23,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,941)	(1,151)
Release (placement) of pledged bank deposit	939	(9,853)
Interest received	357	5
NET CASH USED IN INVESTING ACTIVITIES	(1,645)	(10,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	16,171	6,795
Repayment of bank borrowings	(16,171)	(27,128)
Dividend paid	(7,500)	–
Interest paid	(111)	(151)
Repayment of finance lease payable	(122)	(116)
Proceeds from issuance of new shares	–	52,656
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(7,733)	32,056

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK\$'000	2018 HK\$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,426)	44,605
Effect of foreign exchange rate changes	(236)	242
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	83,350	38,503
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	77,688	83,350
 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	77,688	83,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of apparel supply chain management service selling knitwear apparel products to its customers.

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (the "**HKFRS**"), Hong Kong Accounting Standards (the "**HKAS**") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

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

Consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

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

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

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

(c) Translation on consolidation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates or useful lives are as follows:

Leasehold improvement	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum
Motor vehicle	30% per annum

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

(a) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
 - (i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowings cost are recognised in the profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A) mentioned above.
 - (vii) A person identified in (A)(i) mentioned above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except inventories and receivables 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 any impairment loss. Where 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.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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, are discussed below.

(a) Impairment of trade and bills receivables

The Group makes impairment for trade and bills receivables based on assessments of the recoverability of the trade and bills receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and bills receivables and impairment loss in the year in which such estimate has been changed.

(b) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the year in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(b) **Allowance for slow-moving inventories and net realisable value of inventories (Continued)**

The carrying amount of the Group's inventories as at 31 March 2019 amounted to approximately HK\$4,443,000 (2018: approximately HK\$5,767,000). No provision for inventories had been recognised in profit or loss during the years ended 31 March 2019 and 2018, respectively and no balance of provision for inventories had been recognised as at 31 March 2019 and 2018, respectively.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) **Foreign currency risk**

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the Functional Currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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 currency risk is minimal. Accordingly, no sensitivity analysis for the currency risk of HK\$ is presented.

(b) **Credit risk**

The carrying amount of the trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposit, bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances and pledged bank deposit are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At the end of reporting period, the Group had concentration of credit risk as approximately 88% (2018: approximately 52%) of the total trade and bills receivables were due from the Group's five largest customers. The Group normally grants an average credit period of 30 to 90 days to these customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the United States of America (the "USA") 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 are insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 180 days when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Total undiscounted cash flows HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At 31 March 2019				
Trade and other payables	28,501	28,501	–	–
Finance lease payable	274	137	137	–
	28,775	28,638	137	–
At 31 March 2018				
Trade and other payables	26,258	26,258	–	–
Finance lease payable	411	137	137	137
	26,669	26,395	137	137

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	116,234	108,999
Financial liabilities		
Amortised cost	28,501	26,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. REVENUE

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

	2019 HK\$'000	2018 HK\$'000
Fashion trading	433,004	390,423

Disaggregation of revenue from contracts with customers

Geographical information

Geographical markets	2019 HK\$'000	2018 HK\$'000
Japan	274,815	358,569
The USA	85,750	–
Europe	38,001	–
Hong Kong	27,183	16,381
Others	7,255	15,473
Total	433,004	390,423

Major products

Womenswear	269,261	327,228
Menswear	74,759	63,195
Kidswear	88,984	–
Total	433,004	390,423

Timing of revenue recognition

For the years ended 31 March 2019 and 2018, all revenues were recognised at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

6. REVENUE (CONTINUED)

Sales of garments

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

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

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

7. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Sample sales income	1,250	1,239
(Loss) gain on exchange difference, net	(595)	702
	655	1,941

8. SEGMENT INFORMATION

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

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

Geographical information:

All revenue for the years ended 31 March 2019 and 2018, were revenue derived from contracts with customers, the geographical information of revenue could be referred to note 6 to the consolidated financial statements in this annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

8. SEGMENT INFORMATION (CONTINUED)

Geographical information: (Continued)

Geographical markets

	Non-current assets*	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	3,537	1,680

* In presenting the geographical information about the Group's non-current assets, deferred tax asset is excluded.

Revenue from major customers:

Revenue from customers individually contributed over 10% of the total revenue of the Group for each of the two years ended 31 March 2019 are as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A*	134,846	–
Customer B	131,831	197,041
Customer C	53,454	46,333
Customer D	47,489	57,696

* This is a new customer for the year ended 31 March 2019.

9. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Finance leases charges	15	21
Interest expense on borrowings	96	130
	111	151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

10. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	5,216	3,361
– Over-provision in prior years	–	(41)
Enterprise Income Tax (the “ EIT ”) of People’s Republic of China (the “ PRC ”)		
– Current year	90	10
– Over-provision in prior year	–	(109)
	5,306	3,221
Deferred tax expense (<i>note 16</i>)	183	4
	5,489	3,225

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2018.

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

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

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

No provision for Japan corporate income tax has been made for the years ended 31 March 2019 and 2018 as the Group did not generate any assessable profits during the year.

The Group is subject to national corporate income tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

10. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense and the profit before tax is as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before tax	32,723	17,309
Tax at Hong Kong Profits tax rate of 8.25% (2018: Nil)	165	–
Tax at Hong Kong Profits tax rate of 16.5% (2018: 16.5%)	5,069	2,856
Tax effect of expenses not deductible and income not taxable for tax purpose	335	569
Tax effect of tax loss not recognised	3	18
Over-provision in prior years	–	(150)
Tax effect of profit under tax concessions	(40)	(60)
Effect of difference in tax rate of a subsidiary operating in another jurisdiction	(43)	(8)
 Income tax expense	5,489	3,225

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2019 HK\$'000	2018 HK\$'000
Staff costs (including Directors' remuneration (<i>note 12</i>)):		
– Salaries and other benefits	22,877	23,552
– Retirement benefit scheme contributions	897	935
	23,774	24,487
Auditor's remuneration	500	450
Depreciation	1,084	998
Net foreign exchange loss (gain)	595	(702)
Cost of inventories sold	349,535	325,955
Operating lease charges	1,777	1,252
Commission expenses (included in selling and distribution expenses)	4,339	2,274
Sample charges (included in selling and distribution expenses)	8,667	6,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

The emoluments of each Director were as follows:

	For the year ended 31 March 2019				Total HK\$'000
	Salaries and		Retirement benefits scheme		
	Fee HK\$'000	other benefits HK\$'000	contributions HK\$'000		
Executive Directors					
Mr. Chan Wing Kai	–	2,210	18	2,228	
Mr. Ng Ming Ho	–	710	18	728	
Independent non-executive Directors					
Mr. Kwok Chi Shing	120	–	–	120	
Ms. Chan Siu Lai	120	–	–	120	
Mr. Ma Kwok Fai, Edwin	120	–	–	120	
	360	2,920	36	3,316	

	For the year ended 31 March 2018				Total HK\$'000
	Salaries and		Retirement benefits scheme		
	Fee HK\$'000	other benefits HK\$'000	contributions HK\$'000		
Executive Directors					
Mr. Chan Wing Kai	–	2,210	18	2,228	
Mr. Ng Ming Ho	–	681	18	699	
Independent non-executive Directors					
Mr. Kwok Chi Shing	100	–	–	100	
Ms. Chan Siu Lai	100	–	–	100	
Mr. Ma Kwok Fai, Edwin	100	–	–	100	
	300	2,891	36	3,227	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2018: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: three) individuals are set out below:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	2,287	1,891
Retirement benefits scheme contributions	54	51
	2,341	1,942

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK\$1,000,000	3	3

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

The final dividend proposed after 31 March is not recognised as a liability at 31 March as it had not been approved by the shareholders of the Company.

	2019 HK\$'000	2018 HK\$'000
Proposed final dividend of 1.6 HK cents (2018: 1.5 HK cents) per ordinary share of the Company	8,000	7,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$27,234,000 (2018: approximately HK\$14,084,000) and the weighted average number of ordinary shares of 500,000,000 (2018: 479,452,055) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2019 and 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and office equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Cost				
At 1 April 2017	2,305	1,205	625	4,135
Additions	37	1,113	1	1,151
At 31 March 2018 and 1 April 2018	2,342	2,318	626	5,286
Additions	184	2,757	–	2,941
At 31 March 2019	2,526	5,075	626	8,227
Accumulated depreciation				
At 1 April 2017	1,794	705	109	2,608
Provided for the year	480	330	188	998
At 31 March 2018 and 1 April 2018	2,274	1,035	297	3,606
Provided for the year	252	644	188	1,084
At 31 March 2019	2,526	1,679	485	4,690
Carrying amount				
At 31 March 2018	68	1,283	329	1,680
At 31 March 2019	–	3,396	141	3,537

As at 31 March 2019, the motor vehicle with its carrying amount of approximately HK\$141,000 (2018: approximately HK\$328,000) was held under a finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

16. DEFERRED TAX (LIABILITY) ASSET

The following is the deferred tax (liability) asset recognised by the Group:

	Accelerated accounting depreciation/(tax depreciation)	HK\$'000
At 1 April 2017		11
Charge to profit or loss		(4)
At 31 March 2018 and 1 April 2018		7
Charge to profit or loss		(183)
At 31 March 2019		(176)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a PRC subsidiary for which deferred tax liabilities have not been recognised is approximately HK\$32,000 (2018: approximately HK\$20,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

17. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	3,278	4,076
Work-in-progress	1,165	1,691
	4,443	5,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

18. TRADE AND BILLS RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	9,237	6,563
Bills receivables	14,031	2,656
	23,268	9,219

No allowance for bad and doubtful debt was provided for the years ended 31 March 2019 and 2018 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

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

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

	2019 HK\$'000	2018 HK\$'000
1 – 30 days	20,122	7,865
31 – 60 days	28	917
61 – 90 days	3,076	332
Over 90 days	42	105
	23,268	9,219

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

	Within 90 days			
	Current HK\$'000	past due HK\$'000	past due HK\$'000	Total HK\$'000
At 31 March 2019				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount	23,106	142	20	23,268
Loss allowance	—	—	—	—
At 31 March 2018				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount	8,536	580	103	9,219
Loss allowance	—	—	—	—

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments to subcontractors/suppliers	19,294	3,402
Deposits	224	312
Other receivables	129	254
Other prepayments	692	522
	20,339	4,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

20. PLEDGED BANK DEPOSIT/BANK AND CASH BALANCES

The Group has entered into two banking facilities agreements up to approximately HK\$55,400,000, and one of the banking facilities has charged over a fixed bank deposit. The Group's rate of unutilised banking facilities was 100% as at 31 March 2019 and 2018, respectively.

Pledged bank deposit of the Group with its amount approximately HK\$14,925,000 (2018: approximately HK\$15,864,000) has been pledged to secure certain banking facilities granted to the Group.

The pledged bank deposit carried fixed interest rate at 2.21% (2018: at 4.01%) per annum at 31 March 2019.

Bank balances carried interest at prevailing market rate in the range of 0.01% to 0.45% (2018: 0.01% to 0.38%) per annum as at 31 March 2019.

At the end of the reporting period, the Group's pledged bank deposit and bank and cash balances denominated in RMB were approximately HK\$1,766,000 (2018: approximately HK\$18,795,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	25,554	22,855
Accrued subcontracting charges	513	626
Accrued staff costs	528	601
Accrued expenses	1,368	1,657
Other payables	1,051	1,145
	29,014	26,884

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

	2019 HK\$'000	2018 HK\$'000
1 – 30 days	18,193	6,760
31 – 60 days	4,430	14,872
61 – 90 days	2,062	180
Over 90 days	869	1,043
	25,554	22,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

22. FINANCE LEASE PAYABLE

The Group leased its motor vehicle under a finance lease. The lease term is five years. Interest rate underlying obligation under a finance lease is fixed at a contract rate of 1.99% (2018: 1.99%) per annum and effective interest rate at 4.72% (2018: 4.72%).

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amount payable under a finance lease:				
Within one year	137	137	128	122
Within a period of more than one year but not more than two years	137	137	134	128
Within a period of more than two years but less than five years	–	137	–	134
	274	411	262	384
Less: Future finance charge	(12)	(27)	N/A	N/A
Present value of lease obligation	262	384	262	384
Less: Amount due for settlement within twelve months shown under current liabilities			(128)	(122)
			134	262

The Group's finance lease payable is secured by the title to the leased asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

23. SHARE CAPITAL

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

	Number of shares	Share capital
		HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017	39,000,000	390
Increase in authorised share capital (<i>Note (i)</i>)	961,000,000	9,610
At 31 March 2018 and 2019	1,000,000,000	10,000
Issued and fully paid:		
At 1 April 2017	9,000	–
Issuance of shares (<i>Note (ii)</i>)	125,000,000	1,250
Issuance of shares by capitalisation of share premium account (<i>Note (ii)</i>)	374,991,000	3,750
At 31 March 2018 and 2019	500,000,000	5,000

Notes:

- (i) On 8 May 2017, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares by the creation of an additional 961,000,000 shares of HK\$0.01 each.
- (ii) On 31 May 2017, 125,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.50 per share by way of share offer. On the same day, the Directors of the Company were authorised to allot and issue a total of 374,991,000 shares, credited and fully paid at par, to the then sole shareholder by way of capitalisation of a sum of HK\$3,749,910 standing to the credit of the share premium account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

24. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Movements of the reserves of the Company

	Share capital HK\$'000	Share premium HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total equity HK\$'000
At 1 April 2017	–	–	(14,982)	(14,982)
Issue of shares	1,250	61,250	–	62,500
Transaction costs attributable to issuance of shares	–	(9,844)	–	(9,844)
Issue of shares by capitalisation of share premium account	3,750	(3,750)	–	–
Profit for the year	–	–	24,755	24,755
At 31 March 2018 and 1 April 2018	5,000	47,656	9,773	62,429
Dividend paid	–	–	(7,500)	(7,500)
Profit for the year	–	–	9,914	9,914
At 31 March 2019	5,000	47,656	12,187	64,843

(c) Nature and purpose of reserves

(i) Share premium account

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Special reserve

Special reserve represents the corresponding movements in resources of the Group as a result of the group reorganisation (the “**Reorganisation**”) of Speed Apparel Limited and Firenze Apparel Limited (“**Firenze Apparel**”) completed on 1 February 2016, none of these entities formed part of the Group but are held and controlled by Mr. Chan, being the controlling shareholder of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

24. RESERVES (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iii) Capital reserve

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 International Limited ("Knit World"), a subsidiary of the Company, from Mr. Chan and the nominal value of the then issued share capital of Knit World.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investment in a subsidiary	1	1
	1	1
Current assets		
Prepayments, deposits and other receivables	168	168
Amounts due from subsidiaries	52,964	42,956
Bank and cash balances	12,206	19,691
	65,338	62,815
Current Liabilities		
Accruals and other payables	496	387
	496	387
Net current assets	64,842	62,428
Net assets	64,843	62,429
Capital and reserves		
Share capital	5,000	5,000
Reserves	59,843	57,429
Total equity	64,843	62,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Finance lease payables HK\$'000	Borrowings HK\$'000	Total liabilities from financing activities HK\$'000
At 1 April 2017	500	20,333	20,833
Changes in cash flows	(137)	(20,463)	(20,600)
Non-cash changes			
– Interest charged	21	130	151
At 31 March 2018 and 1 April 2018	384	–	384
Changes in cash flows	(137)	(96)	(233)
Non-cash changes			
– Interest charged	15	96	111
At 31 March 2019	262	–	262

27. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	1,728	1,597
In the second to fifth year inclusive	2,200	497
	3,928	2,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	2019 HK\$'000	2018 HK\$'000
Firenze Apparel	Rental expense	1,200	1,200

(b) Security and guarantees provided by related parties

As at 31 March 2019 and 2018, the Group's finance lease payable is guaranteed by the wife of Mr. Chan.

(c) Compensation of the key management personnel

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	5,567	5,082
Retirement benefit scheme and contributions	90	87
	5,657	5,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

29. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Particulars of the Company's major subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/establishment	Place of operation	Issued and fully paid share capital/paid-in capital	Equity interest attributable to the Group as at		Principal activity
				31 March 2019	2018	
Knit World	Hong Kong 20 February 2002	Hong Kong	Ordinary shares HK\$4,000,000	100%	100%	Apparel supply chain management services
Speed Apparel (BVI) Limited*	BVI 13 November 2015	Hong Kong	Ordinary shares US\$101	100%	100%	Investment holding
Speed Apparel (HK) Limited	Hong Kong 26 November 2015	Hong Kong	Ordinary shares HK\$10,000	100%	100%	Apparel supply chain management services
Speed Apparel (SZ) Trading Company Limited**	The PRC 23 February 2016	The PRC	Registered capital RMB800,000	100%	100%	Apparel supply chain management services
Speed Apparel Japan 合同会社	Japan 2 November 2017	Japan	Registered capital Japanese Yen 5,500,000	100%	100%	Design and customers account services

* Directly held by the Company

** English name for identification purpose only

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 10 June 2019.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and equity of the Group for the last five financial years is as follows:

RESULTS

		Year ended 31 March			
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	433,004	390,423	430,130	435,206	397,968
Profit before tax	32,723	17,309	9,078	15,833	12,620
Income tax expense	(5,489)	(3,225)	(2,984)	(3,367)	(2,088)
Profit for the year	27,234	14,084	6,094	12,466	10,532

ASSETS, LIABILITIES AND EQUITY

		As at 31 March			
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current assets	140,663	118,690	66,720	82,248	82,540
Non-current assets	3,537	1,687	1,538	1,361	44,370
Total assets	144,200	120,377	68,258	83,609	126,910
Current liabilities	31,977	27,824	42,472	64,182	89,188
Non-current liabilities	310	262	384	55	–
Total liabilities	32,287	28,086	42,856	64,237	89,188
Net assets	111,913	92,291	25,402	19,372	37,722
Equity					
Equity attributable to owners of the Company	111,913	92,291	25,402	19,372	37,722