



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

T H I R D
Q U A R T E R L Y
R E P O R T

2018/2019



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FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2018, unaudited operating results of the Group is as follows:

- Revenue of approximately HK\$323.5 million was recorded for the nine months ended 31 December 2018;
- Profit after taxation for the nine months ended 31 December 2018 amounted to approximately HK\$27.0 million;
- Basic earnings per Share for the nine months ended 31 December 2018 based on weighted average number of 500,000,000 ordinary Shares was approximately 5.4 HK cents; and
- The Board does not recommend the payment of interim dividend for the nine months ended 31 December 2018.

FINANCIAL INFORMATION

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2018 together with comparative unaudited figures for the corresponding period in 2017 as follows:

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

For the three months and nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	125,314	113,912	323,482	311,135
Cost of sales		(93,483)	(93,890)	(254,829)	(263,199)
Gross profit		31,831	20,022	68,653	47,936
Other income	5	378	442	1,425	1,052
Other gain (loss)		124	(83)	(984)	(226)
Selling and distribution expenses		(7,112)	(5,242)	(18,765)	(18,274)
Administrative expenses		(6,291)	(6,242)	(17,593)	(18,134)
Listing expenses		-	-	-	(1,951)
Finance costs		(45)	(4)	(105)	(146)
Profit before taxation		18,885	8,893	32,631	10,257
Income tax expense	6	(3,092)	(1,541)	(5,609)	(2,111)
Profit for the period		15,793	7,352	27,022	8,146
Other comprehensive (expense) income					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(15)	36	(155)	88
Profit and total comprehensive income for the period attributable to owners of the Company		15,778	7,388	26,867	8,234
		HK cents	HK cents	HK cents	HK cents
Basic earnings per Share for the period attributable to owners of the Company	8	3.15	1.47	5.40	1.72

FINANCIAL INFORMATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company						
	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 (audited)	-	-	(19,229)	4,000	(63)	40,694	25,402
Profit for the period	-	-	-	-	-	8,146	8,146
Exchange differences arising on the translation of foreign operations	-	-	-	-	88	-	88
Profit and total comprehensive income for the period	-	-	-	-	88	8,146	8,234
Issuance of new Shares	1,250	61,250	-	-	-	-	62,500
Transaction costs attributable to issuance of new Shares	-	(9,844)	-	-	-	-	(9,844)
Issuance of Shares by capitalisation of share premium account	3,750	(3,750)	-	-	-	-	-
At 31 December 2017 (unaudited)	5,000	47,656	(19,229)	4,000	25	48,840	86,292
At 1 April 2018 (audited)	5,000	47,656	(19,229)	4,000	86	54,778	92,291
Profit for the period	-	-	-	-	-	27,022	27,022
Exchange differences arising on the translation of foreign operations	-	-	-	-	(155)	-	(155)
Profit and total comprehensive income for the period	-	-	-	-	(155)	27,022	26,867
Dividends paid	-	-	-	-	-	(7,500)	(7,500)
At 31 December 2018 (unaudited)	5,000	47,656	(19,229)	4,000	(69)	74,300	111,658

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements for the nine months ended 31 December 2018 are presented in Hong Kong dollars ("**HK\$**"), which is different from the functional currency of the Group, United States dollars. The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders of the Company and investors.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

2. BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. REVENUE

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

The following is an analysis of the Group's revenue:

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	125,314	113,912	323,482	311,135

5. OTHER INCOME

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Sample sales income	262	349	1,025	957
Bank interest income	116	93	400	95
Total other income	378	442	1,425	1,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

6. INCOME TAX EXPENSE

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax				
Current period	2,911	1,603	5,357	2,167
PRC Enterprise Income Tax ("EIT")				
Current period	16	(31)	87	9
Overprovision in prior year	-	-	-	(107)
	16	(31)	87	(98)
Deferred tax expense (credit)	165	(31)	165	42
Total income tax expense	3,092	1,541	5,609	2,111

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

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

A subsidiary of the Company in Japan is subject to national corporate tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.42% for the nine months ended 31 December 2018.

No provision for Japan corporate income tax has been made as the subsidiary in Japan did not generate any assessable profits during the nine months ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

7. DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: Nil).

Dividends approved and paid during the nine months ended 31 December 2018 is as follows:

	Nine months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the year ended 31 March 2018, approved and paid to the shareholders of the Company during the nine months ended 31 December 2018 of 1.5 HK cents per Share (for the nine months ended 31 December 2017: Nil)	7,500	–
Total dividends paid	7,500	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

8. EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Earnings:				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per Share	15,793	7,352	27,022	8,146
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of Shares:				
Weighted average number of ordinary Shares for the purpose of basic earnings per Share	500,000	500,000	500,000	472,727
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per Share for the period attributable to owners of the Company	3.15	1.47	5.40	1.72

No diluted earnings per Share is presented for the nine months ended 31 December 2018 and 2017 as there were no potential dilutive ordinary Shares outstanding during the respective periods.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$323.5 million for the nine months ended 31 December 2018, representing an increase of approximately 4.0% as compared to the amount of approximately HK\$311.1 million for the corresponding period last year. The Group's gross profit for the nine months ended 31 December 2018 amounted to approximately HK\$68.7 million (for the nine months ended 31 December 2017: approximately HK\$47.9 million). The increase in the Group's gross profit for the nine months ended 31 December 2018 was mainly attributable to the revenue from a significant new customer (the "New Customer") in the USA with relatively higher gross profit margin than the existing customers of the Group which resulted in increasing the overall gross profit margin of the Group. The Group's gross profit margin increased to approximately 21.2% for the nine months ended 31 December 2018 from approximately 15.4% for the nine months ended 31 December 2017. Such increase in the Group's gross profit margin 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 profit and total comprehensive income attributable to owners of the Company increased significantly from approximately HK\$8.2 million for the nine months ended 31 December 2017 to approximately HK\$26.9 million for the nine months ended 31 December 2018. Such significant increase was mainly attributable to the increase in the Group's gross profit 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. The revenue derived from the New Customer accounted for approximately 37.9% of the Group's total revenue for the nine months ended 31 December 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the nine months ended 31 December 2018, the Group expanded its products mix to include kidswear products in addition to the womenswear and menswear products. The Group's revenue was mainly derived from the sales of womenswear, which accounted for approximately 54.0% of the Group's total revenue. The following table sets out a breakdown of the Group's revenue by product categories for each of the reporting period:

	Nine months ended 31 December				
	2018		2017		Percentage of change
	HK\$'000	%	HK\$'000	%	%
	(unaudited)		(unaudited)		
Womenswear	174,588	54.0	259,941	83.5	(32.8)
Menswear	67,793	21.0	51,194	16.5	32.4
Kidswear	81,101	25.0	-	-	-
Total revenue	323,482	100.0	311,135	100.0	4.0

During the nine months ended 31 December 2018, the sales volume of the Group amounted to approximately 4.7 million pieces of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Nine months ended 31 December				
	2018		2017		Percentage of change
	Pieces '000	%	Pieces '000	%	%
	(unaudited)		(unaudited)		
Womenswear	2,572	54.3	4,862	85.6	(47.1)
Menswear	935	19.7	820	14.4	14.0
Kidswear	1,232	26.0	-	-	-
Total sales quantity	4,739	100.0	5,682	100.0	(16.6)

The selling price of each of the product categories depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders

MANAGEMENT DISCUSSION AND ANALYSIS

by different customers. Set out below are the average selling prices per piece of finished products sold by category for each of the reporting period:

	Nine months ended 31 December		
	2018 Average selling price HK\$ (unaudited) (Note)	2017 Average selling price HK\$ (unaudited) (Note)	Percentage of change %
Womenswear	67.9	53.5	26.9
Menswear	72.5	62.4	16.2
Kidswear	65.8	–	–
Overall average selling price	68.3	54.8	24.6

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

The Group's revenue increased by approximately HK\$12.4 million, or 4.0%, from approximately HK\$311.1 million for the nine months ended 31 December 2017 to approximately HK\$323.5 million for the nine months ended 31 December 2018. The increase in revenue was primarily attributable to the expansion of products mix to kidswear products with substantial sales volume coupled with the increase in an average selling price of both the womenswear and menswear products, which in aggregate mitigated the substantial decrease in sales volume of the womenswear products.

Womenswear

During the nine months ended 31 December 2018, the Group's revenue was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products decreased significantly by approximately HK\$85.3 million or 32.8%, from approximately HK\$259.9 million for the nine months ended 31 December 2017 to approximately HK\$174.6 million for the nine months ended 31 December 2018. Such significant decrease was mainly attributable to the decrease in sales quantity from approximately 4.9 million pieces for the nine months ended 31 December 2017 to approximately 2.6 million pieces for the nine months ended 31 December 2018, which outweighs the increase in average selling price from approximately HK\$53.5 for the nine months ended 31 December 2017 to approximately HK\$67.9 for the nine months ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$16.6 million or 32.4%, from approximately HK\$51.2 million for the nine months ended 31 December 2017 to approximately HK\$67.8 million for the nine months ended 31 December 2018. Such increase was mainly attributable to the increase in average selling price from approximately HK\$62.4 for the nine months ended 31 December 2017 to approximately HK\$72.5 for the nine months ended 31 December 2018 coupled with the increase in sales volume of menswear products from approximately 0.8 million pieces for the nine months ended 31 December 2017 to approximately 0.9 million pieces for the nine months ended 31 December 2018.

Kidswear

During the nine months ended 31 December 2018, the Group further expanded its product variety to include kidswear products. The revenue derived from the kidswear products amounted to approximately HK\$81.1 million and accounted for approximately 25.0% of the total revenue of the Group for the nine months ended 31 December 2018.

Cost of sales

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales decreased to approximately HK\$254.8 million for the nine months ended 31 December 2018 from approximately HK\$263.2 million for the nine months ended 31 December 2017, representing a decrease of approximately 3.2%.

Gross profit and gross profit margin

The Group's gross profit significantly increased to approximately HK\$68.7 million for the nine months ended 31 December 2018 from approximately HK\$47.9 million for the nine months ended 31 December 2017, representing an increase of approximately 43.4%. The increase was mainly attributable to the expansion of the customer mix as the Group solicited the New Customer from which the revenue derived accounted for approximately 37.9% of the Group's total revenue for the nine months ended 31 December 2018, and the revenue derived from the New Customer have a relatively higher gross profit margin than the existing customers of the Group which in turn significantly improved the Group's overall gross profit margin. The Group's gross profit margin increased to approximately 21.2% for the nine months ended 31 December 2018 from approximately 15.4% for the nine months ended 31 December 2017. Such increase in the Group's gross profit margin was mainly attributable to the significant decrease in purchase orders of knitwear products with lower gross profit margins from the existing major customers of the Group and the expansion of the customer mix as aforementioned. During the nine months ended 31 December 2018, the Group endeavoured to improve its gross profit margin whilst offering satisfactory supply chain management total solutions to its customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income mainly consists of sample sales income and bank interest income. The Group's other income increased to approximately HK\$1.4 million for the nine months ended 31 December 2018 from approximately HK\$1.1 million for the nine months ended 31 December 2017. Such increase in the Group's other income was mainly attributable to the increase in the bank interest income.

Other loss

The Group recorded other loss of approximately HK\$1.0 million for the nine months ended 31 December 2018, as compared to the other loss of approximately HK\$0.2 million for the nine months ended 31 December 2017. The increase in other loss was mainly due to the foreign exchange loss arising from the foreign currency fluctuations in respect of the Group's pledged bank deposits denominated in Renminbi ("RMB") primarily due to the depreciation of RMB during the reporting period.

Selling and distribution expenses

Selling and distribution expenses primarily consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased slightly to approximately HK\$18.8 million for the nine months ended 31 December 2018 from approximately HK\$18.3 million for the nine months ended 31 December 2017, representing an increase of approximately 2.7%. Such increase was mainly attributable to the increase in advertising 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 decreased slightly to approximately HK\$17.6 million for the nine months ended 31 December 2018 from approximately HK\$18.1 million for the nine months ended 31 December 2017, representing a slight decrease of approximately 2.8%. Such decrease was mainly attributable to the decrease in (i) audit fees; (ii) office expenses; and (iii) overseas and local travelling, which in aggregate offset the increase in administrative expenses incurred for the nine months ended 31 December 2018 in respect of the opening of the office as well as the showroom in Japan.

Listing expenses

There was nil non-recurring listing expenses recognised for the nine months ended 31 December 2018 whilst there was approximately HK\$2.0 million of non-recurring listing expenses recognised for the nine months ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company amounted to approximately HK\$26.9 million for the nine months ended 31 December 2018, representing approximately 3.3 times of the profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 December 2017 of approximately HK\$8.2 million. If the non-recurring listing expenses of approximately HK\$2.0 million for the nine months ended 31 December 2017 were excluded, the Group's adjusted profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 December 2018 would have been approximately 2.6 times of the adjusted profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 December 2017 of approximately HK\$10.2 million.

BASIC EARNINGS PER SHARE

The Company's basic earnings per Share for the nine months ended 31 December 2018 was approximately 5.4 HK cents, representing approximately 3.2 times of the basic earnings per Share of approximately 1.7 HK cents for the nine months ended 31 December 2017. The increase in the Company's basic earnings per Share for the nine months ended 31 December 2018 was in line with the profit attributable to owners of the Company for the nine months ended 31 December 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: Nil).

CAPITAL STRUCTURE

The share capital of the Group only comprises ordinary Shares. As at 31 December 2018, the Company's issued share capital amounted to HK\$5.0 million divided by 500,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the reporting period, no significant investments were made by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31 December 2018, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF THE GROUP'S ASSETS

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

	As at 31 December 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Pledged bank deposits	14,925	15,864
	14,925	15,864

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2018.

FUTURE PROSPECTS

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

Furthermore, by setting up a showroom, and an office for a design team and an account servicing team in Japan, the Group will be able to display and promote more sample products to customers and to respond to customers' demands in a more efficient and effective manner which in turn may create more business opportunities and further strengthen 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.

OTHER INFORMATION

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

As at 31 December 2018, 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 of its 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 are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules are as follows:

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

Notes:

1. As at 31 December 2018, the Company's issued ordinary share capital was HK\$5,000,000 divided into 500,000,000 Shares of HK\$0.01 each.
2. Speed Development, a company incorporated in the BVI 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.

Save as disclosed above, none of the Directors or the chief executive of the Company had any other interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

OTHER INFORMATION

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

As at 31 December 2018, so far as it is known to the Directors, the following persons, other than Directors or the chief executive of the Company, who held interest or short position in the Shares and underlying Shares or debentures of the Company were recorded in the register of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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 ^(Note 1)
Speed Development	Beneficial owner	375,000,000 (L) ^(Notes 2, 3)	75%
Ms. Cheung Hung ("Ms. Cheung")	Spouse interest	375,000,000 (L) ^(Notes 3, 4)	75%

Notes:

1. As at 31 December 2018, the Company's issued ordinary share capital was HK\$5,000,000 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.

Save as disclosed above, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executive of the Company who held interest or short position in the Shares and underlying Shares or debentures of the Company which required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the nine months ended 31 December 2018.

OTHER INFORMATION

INTERESTS OF THE COMPLIANCE ADVISER

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

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

During the nine months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 December 2018 which would materially affect the Group's operations and financial performance.

AUDIT COMMITTEE

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

The Audit Committee currently consists of three members, namely Mr. Kwok Chi Shing (the Chairman of the Audit Committee), Ms. Chan Siu Lai and Mr. Ma Kwok Fai, Edwin, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the unaudited third quarterly results for the nine months ended 31 December 2018 before recommending it to the Board for approval.

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

Hong Kong, 11 February 2019

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

CORPORATE INFORMATION

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